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Report to the House
and Senate Committees
on Appropriations by the
Comptroller General of
the United States

ORIGINAL

SUMMARIES OF CONCLUSIONS AND RECOMMENDATIONS ON DEPARTMENT OF DEFENSE OPERATIONS

This is a summary of GAO's conclusions and recommendations resulting from its audits and other review work in the Department of Defense on which satisfactory legislative or administrative actions have not been taken. These summaries are compiled to assist congressional committees in their review of budget requests for fiscal year 1983. Previous GAO reports brought these matters to the attention of the congressional and departmental officials.

COMPLETED
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Chairman
Committee on Appropriations
U.S. House of Representatives

Chairman
Committee on Appropriations
United State Senate

This is our annual report of summaries of GAO conclusions and recommendations resulting from our audits and other review work in the Department of Defense on which satisfactory legislative or administrative actions have not been taken. We believe that it is important for GAO to continually follow up on these recommendations and, as such, are currently working to improve our follow-up efforts. We believe these efforts will result in a better report.

The summaries will be of interest to your Committees in their review of budget requests for fiscal year 1983. Our reports have previously brought these matters to the attention of the Congress and departmental officials. We have not included suggested questions to be asked in appropriations hearings; however, we will suggest specific questions on the items summarized if you desire.

A report of conclusions and recommendations concerning the Federal Civil departments and agencies (OISS-82-1) is being submitted separately.

We are sending copies of this report to the Department of Defense and the military departments and agencies so they may be in a position to answer any inquiries made on these issues during the appropriations hearings.

Sincerely yours,

Charles A. Bowsher

Comptroller General
of the United States

INTRODUCTION

This report contains abstracts of GAO reports with recommendations open as of October 1, 1981. In addition to summarizing the reports, the abstracts present the Department of Defense and affected military departments and agencies' comments and actions since the reports were issued, the particular appropriations affected by the reports and, where applicable, issues of special concern which the Appropriations Committees should act on or consider.

In addition to a Table of Contents, this report contains two reference indexes. The Budget Function Index lists the titles of reports under function categories by which Federal funds are appropriated and identified in the Federal Budget. Under each heading in the Agency/Organization Index are the titles of reports which deal with that particular department, agency, bureau, or organization. Both indexes also include page numbers where the reader may find summaries of the reports.

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DEPARTMENT OF DEFENSE - MILITARY

ADMINISTRATIVE CONTROL OF FUNDS

Improvements Needed in Processing and Collecting Separation Debts (FOD, 4-23-80)

Department of the Air Force

Budget Function: Financial Management and Information Systems (1100)

A review was made of the procedures for handling separation indebtedness at the Air Force Accounting and Finance Center.

Findings/Conclusions: The Claims Division's adjudication of debt cases is often unnecessary and causes undue delay in initiating debt collection efforts. The process is also quite costly. A poor collection rate is the logical conclusion of the Air Force's leniency towards debtors. Of the approximately $13 million in fiscal year 1978 debts available for Center collection, only about $2.6 million was actually collected, with write-offs constituting about $2.9 million.

Recommendations: In order to hasten the adjudication process, the Air Force should correct the Joint Uniform Military Pay System's (JUMPS) programming problems to properly handle withholding tax, fines, and forfeitures. Until program corrections are effected, flags should be built into the system to signal cases requiring review, and possible adjustment. Debt case information should be electronically transferred from the JUMPS to the Receivables Branch and adequate safeguarding of all debt information should be assured. Separated members' pay accounts should be shut down automatically when other authorizing documentation is missing by the use of separation travel pay or other positive Accounting and Finance Office input. To accomplish greater collection success, the Air Force should: (1) make arrangements with the credit bureau network for reporting delinquent debts; (2) revise collection letters to inform debtors that if debts are not paid on time, interest will be assessed and the credit bureau network will be notified; (3) offer waivers only when appropriate; (4) offer debt compromise only when responding debtors can demonstrate limited repayment ability, or when litigative risks or costs dictate such action; and (5) use credit reports and debtor locator services more extensively.

Agency Comments/Action

The Commander, Air Force Accounting and Finance Center, generally agreed with the thrust of the recommendations. Interim manual review procedures were established and target dates for instituting computer program changes have been set.

Appropriations

Military personnel - Air Force

Appropriations Committee Issues

Improved collection policies and procedures could reduce writeoffs of separation indebtedness.

DEPARTMENT OF DEFENSE - MILITARY

ADMINISTRATIVE CONTROL OF FUNDS

Millions in Stock Funds Mismanaged at Defense Personnel Support Center (AFMD-81-2, 11-21-80)

Departments of Defense and Justice, and Defense Logistics Agency

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)
Legislative Authority: Budget and Accounting Procedures Act of 1950 (31 U.S.C. 66). Supplemental Appropriations Act, 1950 (31 U.S.C. 200). 10 U.S.C. 2208. 18 U.S.C. 1018.

GAO reviewed the inability of the Defense Personnel Support Center (Center) to control hundreds of millions of stock fund dollars because of its ineffective accounting systems. The Center could not accurately determine amounts paid and amounts of unliquidated obligations. In an attempt to correct its records, the Center made financial adjustments during fiscal years 1978 and 1979. However, the validity of most of these adjustments could not be determined because they were not supported by adequate documentation. Even after the adjustments, many of the records were still inaccurate.

Findings/Conclusions: In its review, GAO found that the chaotic condition of the Center's funds control systems and records prevented it from systematically detecting fraudulent contract payments. Additionally, the Center's problems were compounded when erroneous account balances were certified as correct. The balances were certified even though the Center was aware that it had serious funds control problems. In addition, full disclosure was not made in financial statements of either the Center's funds control problems or the large amount of adjustments that were made without adequate supporting documentation. Although the Defense Logistics Agency (DLA) was aware of the Center's problems, it did not require withdrawal or adequate qualification of certification statements. Moreover, DLA certified the Center's accounts as correct despite knowledge of the Center's problems and unsupported adjustments. The Center's funds control problems occurred because its two major commodities are managed under ineffective financial accounting systems. The systems lack adequate controls to assure timely, accurate processing and recording of financial transactions. Further, the Center's operational problems included problems in funds control system procedures, practices, and documentation.

Recommendations: The Secretary of Defense should provide an overall plan to the Chairmen of the House and Senate Committees on Appropriations defining the Center's funds control problems and their causes, specifying corrective actions and milestones for implementing the actions, and specifying the criteria to measure the effectiveness of actions taken. The Secretary of Defense should have the Director of DLA: (1) establish a project team to develop an overall plan for resolving the Defense Personnel Support Center's funds control problems; (2) closely monitor and submit progress reports on the full implementation of the DLA standard automated materiel management system at the Defense Personnel Support Center to ensure that the milestone dates for the various conversion phases are met; (3) ensure that the Defense Personnel Support Center strengthens its reconciliation and validation procedures, improves its practices for correcting rejected financial transactions, provides adequate training to its personnel, improves its recordkeeping, and prepares written procedures and instructions for operating its funds control system; (4) ensure that the Defense Personnel Support Center's financial control account balances are reconciled with supporting records, and that amounts recorded in supporting records are validated before the financial data are incorporated into the standard automated materiel management system; and (5) ensure that the Defense Personnel Support Center's future reports of financial condition are qualified as necessary. The Secretary of Defense should investigate the fiscal 1978 and 1979 certificates submitted by the Defense Personnel Support Center and DLA to determine if they were made when known to be false, which would be in violation of 18 U.S.C. 1018. If a violation has occurred, the Justice Department should be informed.

Agency Comments/Action

The agency concurred with the recommendations and agreed to take corrective action.

Appropriations

Defense Stock Fund - Defense Logistics Agency

Appropriations Committee Issues

The Committees should be concerned about whether a comprehensive plan to improve financial management at the Defense Personnel Support Center has been submitted and about the status of the plan's implementation.

DEPARTMENT OF DEFENSE - MILITARY

ADMINISTRATIVE CONTROL OF FUNDS

The Air Force Has Incurred Numerous Overobligations in Its Industrial Fund (AFMD-81-53, 8-14-81)

Departments of Defense and the Air Force, and Office of Management and Budget

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101)
Legislative Authority: Antideficiency Act (31 U.S.C. 665). Accounting and Auditing Act. Budget and Accounting Procedures Act of 1950. Department of Defense Appropriation Act, 1954. Department of Defense Appropriation Act, 1972. Department of Defense Appropriation Act, 1981 (P.L. 96-527). 51 Comp. Gen. 598. 51 Comp. Gen. 605. OMB Circular A-34. H.R. 3598 (78th Cong.). B-159141 (1967). 10 U.S.C. 2210. 10 U.S.C. 2208. 50 U.S.C. 412. 31 U.S.C. 66 et seq. 94 Stat. 3087. (P.L. 87-651; 76 Stat. 506; 76 Stat. 521; 76 Stat. 522).

GAO reviewed aspects of financial operations in the Air Force industrial fund to determine whether procedures for the financing of, accounting for, and reporting results of Air Force industrial fund operations were in accordance with existing statutes, the intent of Congress, and applicable Federal guidance and regulations. GAO made this review pursuant to its responsibilities under the Accounting and Auditing Act for reviewing agency accounting systems from time to time.

Findings/Conclusions: The Air Force has incurred numerous overobligations in its industrial fund in recent years and failed to report the deficiencies to the President and Congress as required by the Antideficiency Act. In addition, the Air Force illegally adjusted industrial fund account balances on yearend certified financial reports. Because of the adjustments, these violations of the Act were not apparent on the yearend reports. The Act provides for administrative control over funds by restricting obligations and expenditures to amounts appropriated by Congress and, where applicable, apportioned by the Office of Management and Budget (OMB). The Air Force industrial fund provides goods and services to customers on a cost-reimbursable basis. The fund obligations are limited to available budgetary resources which include balances on deposit with the Treasury, accounts receivable, and unfilled customer orders. The adjustments to the yearend reports have been approved each year by an Air Force internal financial management review committee which contended that the practice of obligating the industrial fund against anticipated customer orders, and adjusting yearend balances accordingly, is supported by internal legal decisions. However, those rulings were based on the erroneous assumption that, because the Air Force industrial fund is exempt from the apportionment process, OMB provisions for administrative control of funds and restrictions on the use of reimbursements do not apply. Neither the Department of Defense nor OMB have questioned the deficiencies in the Air Force monthly reports.

Recommendations: If Congress wishes the Air Force to continue to fund these contracts through the industrial fund, it should enact legislation that will provide the budgetary resources to finance the contracts. To provide sufficient budgetary resources, Congress should authorize the industrial fund to be given contract authority. Such authority should be made subject to appropriate controls similar to those now being applied to certain Defense stock funds which currently have contract authority. The Secretary of Defense should have the Secretary of the Air Force: (1) stop the practice of obligating the Air Force industrial fund in excess of available budgetary resources; (2) report only those budgetary resources as defined by OMB on yearend financial reports; and (3) determine the correct industrial fund account balances since fiscal year 1970, together with all pertinent facts and circumstances concerning the overobligations, and report all overobligations to the President and Congress as required by law. The responsible officials in the Air Force, Department of Defense, and OMB should make sure that their procedures for reviewing monthly and yearend financial reports are adequate to detect improper reporting practices and balances that indicate fund deficiencies.

Agency Comments/Action

The Agency's response to the final GAO report had not been received as of October 23, 1981.

Appropriations

Operation and maintenance - Air Force
Industrial fund - Air Force

Appropriations Committee Issues

For at least 10 years, the Air Force has illegally obligated its industrial fund based on anticipated customer orders. OMB guidance clearly provides that anticipated customer orders are not a budgetary resource. As a result, the Air Force has incurred numerous overobligations in its industrial fund of up to $210 million. If Congress wants the Air Force to continue to incur obligations in excess of what is currently available in its industrial fund, it should provde the necessary budgetary resources. GAO believes that this could best be done by providing the industrial fund with contract authority, with such authority being made subject to apportionment controls.

DEPARTMENT OF DEFENSE - MILITARY

ADMINISTRATIVE CONTROL OF FUNDS

Foreign Currency Exchange Rate Fluctuation Funds
(ID-81-54, 8-21-81)

Departments of Defense, the Army, the Navy, and the Air Force

Budget Function: International Affairs: International Financial Programs (0155)

GAO reviewed the contingency funds approved by Congress to cover shortages, caused by foreign currency exchange rate fluctuations, in the Department of Defense's (DOD) overseas programs. The objective of the review was to evaluate the effectiveness of procedures for using and accounting for those funds.

Findings/Conclusions: GAO found the procedures to be generally effective, but noted inconsistencies among the military services in handling exchange rate fluctuations for some programs and activities and a few relatively minor operating deficiencies.

Recommendations: The Secretary of Defense should issue guidelines to ensure that the services uniformly account for gains and losses due to foreign currency exchange rate fluctuations in military construction and family housing programs. The Secretary of Defense should determine whether gains and losses from foreign currency fluctuations for travel expenses are significant and then establish a uniform policy for handling these transactions.

Agency Comments/Action

DOD did not believe it should account for gains and losses due to currency exchange rate fluctuations in fiscal year 1981 military construction and family housing programs.

Appropriations

Operation and maintenance - Department of Defense
Military personnel - Department of Defense
Military construction - Department of Defense
Family housing - Department of Defense

Appropriations Committee Issues

GAO disagrees with the DOD position since Congress intended for and held for possible transfer to contingency funds. Gains would have been recorded in fiscal year 1981 due to the favorable U.S. dollar fluctuations.

DEPARTMENT OF DEFENSE - MILITARY

CIVILIAN PERSONNEL

Review of the Job Enrichment Program at Ogden Air Logistics Center (FPCD-78-77, 9-6-78)

Department of the Air Force

Budget Function: National Defense: Department of Defense - Military (except procurement & contracts) (0051)

The job enrichment program at the Ogden Air Logistics Center, Utah, was initiated in January 1974 under contract to Herzberg and Associates to increase workforce productivity by restructuring jobs to provide workers with increased accountability, responsibility, communication, and feedback on the acceptability of their performance. The program was also designed to increase job satisfaction and quality of working life. Because of sizable reported savings and productivity gains, the program is being implemented throughout the Air Force Logistics Command (AFLC).

Findings/Conclusions: A review of the program revealed that, at the inception of the program, there was no definitive plan to systematically evaluate its impact. Little evaluation was accomplished and, where it was attempted, evaluation was not adequate to show overall program impact. The program costs tended to be understated and reported savings overstated. A plan for a 3-year systematic evaluation of program costs and benefits was delayed because of resistance from union officials to one of the data collection devices. It appears that AFLC does not know the extent to which the program is achieving the goals for which it was designed.

Recommendations: Further expansion of job enrichment within the AFLC and the Department of Defense should be limited to demonstration-type projects which are subject to sound evaluation procedures until favorable program results can be documented.

Agency Comments/Action

The Commander, AFLC, has directed continuation of the evaluation program, including validation of evaluation methodology and data collection activities by the Air Force Audit Agency. During fiscal year 1980, the Air Force completed two reports evaluating its experience with the job enrichment concept.

Appropriations

Operation and maintenance - Air Force

Appropriations Committee Issues

Work force productivity gain could produce sizable savings.

DEPARTMENT OF DEFENSE - MILITARY

CIVILIAN PERSONNEL

Automated Career Management for DOD Civilians: Performance and Potential (FPCD-81-3, 11-14-80)

Department of Defense

Budget Function: General Government: Central Personnel Management (0805)

The manner in which the Department of Defense (DOD) recruits, selects, develops, and uses its civilian personnel determines its ability to provide an effective defense work force and maintain ongoing military readiness. The Automated Career Management System (ACMS), a computer-based civilian personnel inventory, appraisal, and referral system, has unrealized potential as an information tool for managing the defense civilian work force.

Findings/Conclusions: GAO found that employee and managerial complaints about the present and future uses of ACMS have made it a subject of controversy. Several problems noted were: (1) questionable objectivity of the ACMS appraisal instrument; (2) doubtful reliability of the rating system; (3) unknown validity of the appraisal and promotion process; (4) no assurance that the evaluation and selection of candidates for promotion referral is job related; and (5) supervisors' insufficient understanding and training in the ACMS rating and ranking process. Under the present procedures, getting consistent ratings from different raters may be more a matter of chance than of real performance or potential. Since DOD has no clearly defined performance benchmarks, supervisory ratings tend to be inconsistent and difficult to compare. Research indicated that the relevance, objectivity, reliability, and validity of supervisory appraisals are increased when supervisors are trained to make appraisals and avoid common rater errors.

Recommendations: The Secretary of Defense should direct the Assistant Secretary (Manpower, Reserve Affairs and Logistics) to: (1) determine the costs, benefits, and results of DOD-wide appraisal, referral, and selection; (2) professionally validate the ACMS appraisal instruments and rating and ranking procedures to insure their objectivity, reliability, and job relatedness; (3) clarify the relationship between the purposes of ACMS appraisals and DOD components' performance appraisals; (4) obtain feedback from individuals placed through ACMS and their supervisors to identify weaknesses and improve evaluation procedures; and (5) develop a systematic, coordinated approach to researching, developing, and using appraisal instruments throughout DOD. The Secretary of Defense should direct DOD functional managers in those career fields registered in ACMS to: (1) investigate the extent to which ACMS can be used to manage the civilian work force; (2) evaluate the information regularly provided by ACMS and suggest improvements that would increase the use of ACMS use in work force planning and civilian career management; (3) take the initiative in developing new applications for ACMS, as automatic data processing career field managers have; and (4) investigate the use of ACMS as a tool in defense mobilization planning. The Secretary of Defense should direct the Assistant Secretary (Manpower, Reserve Affairs and Logistics), DOD agencies, and military services to: (1) redefine and restate the need for a DOD-wide automated personnel system; (2) determine what information is needed, why, and by whom in connection with management planning, performance, and evaluation of work force planning; recruitment and selection; employee, manager, and executive development; equal employment opportunity; and defense mobilization planning for civilian employees; (3) evaluate the extent to which ACMS can presently satisfy identified informational requirements; (4) determine necessary system improvements to meet unsatisfied informational requirements and direct the system operators to make such changes as are needed; (5) develop specific guidance on management uses of ACMS as a general purpose information system; (6) establish an organized user evaluation and feedback procedure for suggestions on innovative system use and improvements; and (7) develop guidance on the interaction between DOD-wide civilian personnel information systems and component service systems, as well as between military and civilian information personnel systems.

Agency Comments/Action

DOD agreed with the recommendations. Action is planned to implement them.

Appropriations

Operation and maintenance - Department of Defense, Army, Navy, Air Force

DEPARTMENT OF DEFENSE - MILITARY

CIVILIAN PERSONNEL
MILITARY MANPOWER

Military and Civilian Managers of Defense Manpower: Improvements Possible in Their Experience, Training, and Rewards

(FPCD-79-1, 2-16-79)

Departments of Defense, the Navy, the Army, and the Air Force, and Office of Personnel Management

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)
Legislative Authority: Legislative Reorganization Act of 1970. B-125037 (1978). DOD Instruction 1430.1.

Volume 1 of this report addresses the effect of service staffing policies and practices on the qualifications of defense manpower and personnel managers; both military officers and civilians. Needed improvements in defense management of the manpower and personnel functions have been pointed out in many past GAO reports. In addition, recent passage of the Civil Service Reform Act delegates more personnel management responsibility to the Department. Volume 2 of the report consists of appendixes dealing with: (1) the objectives and results of a questionnaire on manpower development; (2) perceptions of training value; (3) professional activities; and (4) special analyses of organizational effectiveness and training strengths and weaknesses.
Findings/Conclusions: Varying service practices in many cases preclude the development of manpower and personnel management expertise, while, at the same time, those managers having such qualifications are not always rewarded for them by their organizations. Department of Defense (DOD) manpower and personnel organizations should be staffed with knowledgeable and experienced officers who are allowed to stay in one assignment for an appropriate time. When career management systems are successful, both the organization and the individual benefit.
Recommendations: The Secretary of Defense should make sure that all services have established both a manpower officer career field and a personnel management officer career field to attract, develop, retain, and reward professional managers. The career fields should have established standards of background, education, required training, prior experience, and tenure. In addition, the services should specify certain manpower and personnel positions as the equivalent of command and operational experience and instruct promotion boards to consider such assignments as meaningful equivalent experience for advancement. The Secretary of Defense should also make sure that all services establish viable, complete, and timely career management systems for civilians in both the personnel and manpower functions and include employees working in the military personnel function. The programs should emphasize individual development and career progression equally with management information and control.

Agency Comments/Action

Defense generally agreed with the recommendations. It said the study provides a good summary of the attitudes, opinions, and developments of military and civilian managers of manpower and personnel, and provides an additional base for continuing to improve these important programs. It took exception to some of the report's conclusions.

Appropriations

Military personnel - Department of Defense, Air Force, Army, Navy
Operation and maintenance - Department of Defense, Air Force, Army, Navy

Appropriations Committee Issues

Defense manpower and its associated problems (as repeatedly pointed out in past GAO reports) demand fully trained, full-time, and motivated military and civilian manpower and personnel managers. Service practices, however, make the development of such professionals unlikely. Traditional officer assignment practices and existing civilian career programs hinder the development of manpower and personnel expertise. Managers having the expertise are not rewarded.

DEPARTMENT OF DEFENSE - MILITARY

COMPENSATION

Army Guard and Reserve Pay and Personnel Systems Are Unreliable and Susceptible to Waste and Abuse (FPCD-80-30, 1-28-80)

Departments of Defense and the Army

Budget Function: National Defense: Military Pay (0060)
Legislative Authority: 37 U.S.C. 204. 10 U.S.C. 683.

The Army Guard and Reserve payroll is about $1.3 billion. The Reserve drill pay system operates on an exception basis, with Guard and Reserve personnel being automatically paid for scheduled drills unless the unit reports them absent. Many Guard and Reserve units have abused attendance reporting by recording absent members as present at drill assemblies to show high attendance levels. Aside from erroneous payments made for drills not attended, reservists and guardsmen are also being paid by both the Active Army pay system and the Reserve pay system. Duplicate and overlapping payments occur when more than one claim is submitted for the same period of active duty for training and when reservists are counted present and paid for unit drill assemblies when they are away on active duty for training.

Findings/Conclusions: It is estimated that between 5,500 to 6,000 reservists and guardsmen who are discharged each year may be indebted as much as $744,000 for payment for drills they did not attend. Furthermore, the Army has detected over a half million dollars in duplicate payments to 3,678 members during the last 2 years. Management controls over the payroll and related personnel systems are not adequate to prevent the erroneous payments. In addition, vital personnel strength information maintained in the pay and personnel systems is frequently inconsistent, inaccurate, and can adversely impact budget and mobilization plans. The reliability of the information in the pay and personnel systems is questionable primarily because data are not updated in a timely manner or information is lost, rejected, or erroneously changed.

Recommendations: The Secretary of the Army should: direct the U.S. Army Finance and Accounting Center (USAFAC) to automatically assign members to a nonpay status after they have been absent from drills for 3 consecutive months; require USAFAC to establish responsibility and procedures for eliminating conditions which allow Reserve and Guard members to be paid by both the Joint Uniform Military Pay System-Reserve Components and the Active Army pay system; direct USAFAC to upgrade its computer program edits to detect errors identified in this report and develop methods to prevent pay transactions from bypassing program edits except in unusual circumstances and with high level approval; insure that Army Guard unit technicians do not have control over all processing functions with no feedback to unit commanders on changes made in the pay records; direct USAFAC to develop management reports for unit commanders and major Army commands that will provide timely and useful feedback on drill participation and pay transactions processed for unit members; develop an educational program for unit personnel on the importance of accurate attendance reporting and the consequences to expect for submitting erroneous reports; require the pay system to be redesigned to provide for positive reporting and processing; clarify regulations specifying the disbursing station for each unit; direct USAFAC to study the possibility of incorporating additional information in its tax data file from the disbursing offices to detect duplicate and overlapping payments for active duty for training and drill assemblies; direct the U.S. Army Forces Command to instruct all disbursing stations to institute a card system to prevent duplicate payments; direct the three accounting stations to refer any suspect duplicate payments to the Army's Criminal Investigation Division for possible fraudulent submissions; review and modify existing procedures to improve the timeliness, flow, and accuracy of source data needed for entering and deleting members from the pay and personnel systems; initiate actions to remove members from the rolls who do not meet established Army attendance standards; develop programs to readily verify or correct data in the systems as the need arises; and reconcile on a regular basis the pay and personnel data vital to management needs for the National Guard and Reserve.

Appropriations

Military personnel - Army

Appropriations Committee Issues

The Appropriations Committees should monitor the Army's progress in improving the National Guard and Reserve pay and personnel systems.

DEPARTMENT OF DEFENSE - MILITARY

COMPENSATION

Military Exchange Systems: How They Can Provide More Benefits for Military Personnel (FPCD-80-50, 7-18-80)

Departments of Defense, the Army, the Air Force, and the Navy

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)
Legislative Authority: Department of Defense Appropriation Acts, 1980.

Difficulties in recruiting and retaining personnel in the all-volunteer Armed Forces are causing Department of Defense (DOD) officials to seek ways to increase benefits to service personnel and make military life more attractive. Military exchanges provide authorized customers with articles and services at the lowest practicable prices and are a source of funds for other types of morale, welfare, and recreation (MWR) activities. The exchanges are organized into three separate worldwide systems. Consolidation and centralization of these systems and alternative funding practices could reduce costs and improve benefits. DOD did not follow up on previous agency reports which recommended consolidation because they were not convinced that large savings would occur. It believed the consolidated system would be unmanageable and unsupported by Congress, and other matters took higher priority. Some consolidation has taken place by the integration of the Army and Air Force exchange systems and consolidation of the services' catalog business. If DOD did not require exchange systems to help fund other MWR activities, these systems could operate without appropriated-fund support and focus on providing goods and services to military personnel at the lowest practicable prices. This would establish customer-savings goals rather than profit goals. If the exchanges paid all of their expenses now charged to appropriated funds rather than providing funds for other activities, they would have more than enough to be self sufficient. Unless specifically asked, DOD does not inform Congress of the amount of exchange profits, how these funds are distributed, and the use of exchange dividends by the services. DOD officials oppose changing current funding practices primarily because they believe Congress would not fund MWR activities at their current levels. GAO believes Congress would have provided a lesser amount to fully fund activities had DOD justified them for the morale and welfare of service personnel and had it explained that alternative funding was more costly.

Findings/Conclusions: The financial advantages and the desirability of consolidating exchange functions have been identified in three other independent studies. In view of the potential for substantial benefits to military personnel, GAO believes it is time for DOD to take a strong leadership role in assessing the benefits of consolidating and centralizing exchange functions in whole or in part. The Coordinating Committee or a similar study group could assess this on a function-by-function basis, followed by promptly identifying the benefits without waiting for the entire exchange system to be reviewed. GAO believes that by changing the funding practices MWR activities could improve benefits to military personnel. Without the requirement to provide funds for other MWR activities, the exchanges could concentrate on their primary mission of providing goods and services to military personnel at the lowest practicable prices.

Recommendations: To reach a decision on consolidation, the Secretary of Defense should direct the Armed Forces Exchange Coordinating Committee or a similar study group to identify the potential cost savings, the improved benefits to service personnel, and the feasibility of consolidating the three Defense exchange systems in whole or in part. The analyses should include quantifying attainable savings and improved benefits to service personnel, and assessing Defense and service officials' concerns about consolidation and the most appropriate method for addressing them. The Secretary of Defense should eliminate the requirement to distribute exchange profits as a source of funds for other MWR activities; require the exchange systems to reimburse appropriations for costs incurred in support of exchange operations; and budget for and justify to Congress the full cost of activities now partially funded with exchange profits.

Appropriations

Military personnel - Army, Navy, Air Force

Appropriations Committee Issues

Savings in personnel and transportation can be achieved through consolidation of exchange functions.

DEPARTMENT OF DEFENSE - MILITARY

COMPENSATION

When One Military Service Pays Another's Members, Overpayments May Result (AFMD-81-41, 4-14-81)

Departments of Defense, the Army, the Air Force, and the Navy, and the Marine Corps

Budget Function: National Defense: Military Pay (0060)
Legislative Authority: DOD Accounting Guidance Handbook 7220.9-H. DOD Directive 7330.3. DOD Instruction 7330.4.

GAO reviewed procedures and controls relating to military pay cross disbursements and the reconciliation of accounting data to pay data at all military service finance centers to determine if the military services were following the applicable guidance in reporting and controlling cross disbursements and if the services' systems were effective in preventing or detecting pay errors and irregularities.

Findings/Conclusions: In a test of almost 3,000 cross disbursement cases, 160 payments were found which had not been charged to the members' pay accounts and represented potential overpayments. The cross disbursements not posted were from several months to over a year old. Disbursing officers in many cases did not adhere to prescribed procedures in reporting cross disbursements. Also, the military finance centers failed to establish or carry out required controls that were designed to ensure the prompt receipt of all military pay cross disbursement data. An important basic control consists of a reconciliation which compares the charges made by disbursing officers to military pay appropriations to amounts charged to members' pay amounts. Although this control is applicable to both pay disbursements within the services and cross disbursement payrolls, it was not used by the Army and Marine Corps and ineffectively used by the Navy and Air Force. Because of the general lack of effective internal controls, GAO believes that there may be many more cross disbursement payments than those identified which have not been posted to pay accounts. It also believes that fraud could go undetected unless the procedures and controls are improved.

Recommendations: The Secretary of Defense should require the Secretaries of the Army, Navy, and Air Force to (1) make a special review of available documentation at all disbursing offices and finance centers to ensure that disbursing officers submitted all cross disbursement documents to appropriate finance centers and the related confirmations were received, finance centers received all cross disbursement documents, and related payments were posted to pay accounts; (2) collect any overpayments identified by the special review that resulted from failure to charge pay records for cross disbursements; (3) establish and/or improve military finance center procedures to ensure adequate control over receipt of all military pay cross disbursement vouchers in accord with Defense Handbook 7220.9-H; (4) institute a reconciliation process in the Army and Marine Corps Centers to ensure that charges to military pay appropriations have a corresponding charge to pay accounts; (5) issue instructions to all disbursing officers stressing the importance of well-prepared, complete, and legible financial documents, in compliance with applicable guidance, including the proper numbering of cross disbursement payment vouchers and the proper maintenance of cross disbursement suspense files; and (6) require internal audit and administrative examination efforts at disbursing office and finance center locations to periodically review the effectiveness of procedures and internal controls used to ensure that pay cross disbursements are properly processed and recorded.

Agency Comments/Action

Defense has not acted on the GAO recommendations except for requesting a complete review by internal auditors of cross disbursement controls, procedures, and activities to assist Defense in making needed changes.

Appropriations

Military personnel - Army, Navy, Air Force, Marine Corps

Appropriations Committee Issues

The procedures and controls to ensure proper accounting for and posting of military pay cross disbursements were not adequately implemented or consistently followed by the military services. Unless procedures and controls are improved, fraud could go undetected.

DEPARTMENT OF DEFENSE - MILITARY

COMPENSATION

Variable Housing Allowance: Rate Setting Criteria and Procedures Need To Be Improved (FPCD-81-70, 9-30-81)

Department of Defense

Budget Function: National Defense: Military Pay (0060)
Legislative Authority: P.L. 96-343. 37 U.S.C. 403(a).

Pursuant to a congressional request, GAO evaluated the Department of Defense's (DOD) methods for computing fiscal years 1981 and 1982 variable housing allowances (VHA) which were authorized for qualified members of the uniformed services.

Findings/Conclusions: The GAO evaluation indicated that Congress needs to correct certain weaknesses in the VHA legislation, and DOD needs to correct certain procedural problems. GAO found that the basis DOD used to compute VHA rates is what service members say they are paying for housing. Such a basis introduces not only the potential for abuse, but also for uncontrolled cost growth that will not be visible to Congress until after it has occurred. Also, GAO stated that it is questionable whether, in the early years of the program, this method will enable service members to obtain adequate housing. GAO believes that a better basis for establishing a housing allowance would be some external measure of what the members' civilian peers pay for housing.

Recommendations: The House Subcommittee on Military Personnel and Compensation should prepare an amendment to Public Law 96-343, sec. 4(a), which amended section 403(a) of Title 37, United States Code, to delete the provision which requires that VHA be computed on the basis of service members' average cost of housing, and to insert a requirement that by September 30, 1982, DOD establish a method for setting VHA rates based on an external measure of what military members' civilian peers pay for housing in various geographic areas. The specific procedures for accomplishing this should be left to DOD discretion, but the amendment should encourage DOD to use, to the extent possible, existing housing data gathered by various governmental and private agencies, supplemented by DOD surveys of local housing markets as necessary. The amendment should also clarify whether the external measure of housing costs should include both rental and owner costs or be limited to rental costs. The House Subcommittee on Military Personnel and Compensation should clarify whether the phrase "average monthly cost of housing" was intended to be limited to rental housing costs or whether it was meant to include homeowner costs. If homeowner costs are to be included, DOD should be provided guidance on which of several alternative approaches should be used in measuring these costs. The Subcommittee should clarify whether certain procedures used by DOD to set variable housing allowance rates, including the possible use of regression analysis techniques and arbitrary rate adjustments, are consistent with the legislation requiring that VHA rates be: (1) the difference between the average monthly cost of housing in that area for service members at the same pay grade; and (2) 115 percent of the basic allowance for quarters to which the member is entitled. DOD should also develop a followup procedure to improve the questionnaire response rate and verify the accuracy of the survey data.

Agency Comments/Action

Agency comments were not received as of October 27, 1981.

Appropriations

Military manpower - Army, Navy, Air Force

DEPARTMENT OF DEFENSE - MILITARY

DEFENSE DECISION MAKING PROCESS

Countervailing Strategy Demands Revision of Strategic Force Acquisition Plans (MASAD-81-35, 8-5-81)

Departments of Defense, the Army, the Air Force, and the Navy

Budget Function: National Defense: Weapons Systems (0057)
Legislative Authority: Presidential Directive 59.

GAO undertook a review of the major issues concerning the effect of recent changes in U.S. deterrence strategy on the performance requirements of strategic command, control, and communications systems.

Findings/Conclusions: Although countervailing strategy appeared in the fiscal years 1980 and 1981 Department of Defense (DOD) annual reports, and Presidential Directive 59 was signed in July 1980, GAO found various interpretations within DOD of the objectives of countervailing strategy, and there is no agreement on the weapon systems performance characteristics or the command, control, and communications capabilities needed to carry out the strategy. GAO also identified weapon system performance needed to meet the requirements of countervailing strategy. To meet these objectives, U.S. forces must have appropriate combinations of characteristics, including: (1) survivable, endurable, and flexible command, control, and communications systems that permit effective control over the forces continuously throughout a conflict; (2) weapon systems which can survive Soviet attacks; (3) endurance or continued readiness over a protracted period; (4) assured penetration of warheads to targets; (5) precision strike capability; and (6) timeliness, or capability to be launched and arrive on target in a short timeframe. The current Triad forces were not designed to carry out the employment strategy that has evolved through the 1970's. Some programs approved through fiscal year 1980 for strategic force modernization will provide some of the characteristics GAO believes are needed, but others will remain unfulfilled.

Recommendations: Congress should require the Secretary of DOD develop an acquisition strategy that clearly delineates the programs needed to meet the requirements of countervailing strategy and shows the timeframes when the capabilities can be available. Congress should give special attention to the priorities and funding for command, control, and communications programs because of their vital role in implementing countervailing strategy. The Secretary of DOD should develop an acquisition strategy that clearly delineates the programs needed to meet the requirements of countervailing strategy and shows the timeframes when the capabilities can be available. This strategy should be outlined in a plan and submitted to Congress as part of the next annual budget presentation by DOD. At a minimum, this plan should: (1) clearly establish the objectives of countervailing strategy, define the critical characteristics of command, control, and communications systems and weapons systems, and establish performance requirements for those characteristics; (2) identify the combinations of force characteristics needed to implement current strategy and the timeframe in which they are needed; (3) identify the specific programs designed to provide the needed characteristics in more than one component of the Triad; and (4) provide an acquisition schedule showing when the needed characteristics can be available.

Agency Comments/Action

Official agency comments had not been received as of the date that this report was prepared.

Appropriations

Studies and analysis - Department of Defense, Army, Navy, Air Force

Appropriations Committee Issues

The Committees should require that the Secretary of Defense develop a requisition strategy that clearly delineates the programs needed to meet the requirements of countervailing strategy and shows the timeframes when the capabilities can be available.

DEPARTMENT OF DEFENSE - MILITARY

FACILITIES MANAGEMENT

Improvements Needed in Army's Determination of Manpower Requirements for Support and Administrative Functions

(FPCD-79-32, 5-21-79)

Departments of Defense and the Army

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)
Legislative Authority: A.R. 5-4.

Army manpower survey teams make onsite appraisals and recommend the number of people needed for support and administrative functions at Army installations. The recommendations of the survey team are also the basis for the garrison staffing guide, which provides criteria for subsequent surveys. The surveys, although useful for some installation and major command management decisions, are not coordinated with the major manpower activities of planning, programming, and budgeting; of allocating human resources to installations and work centers; and of evaluating manpower use. Consequently, the Army supports its garrison budget by adjusting prior year budgets. However, the Army cannot quantify the effect of not receiving the personnel which survey teams say are needed for garrison work and cannot accurately predict manpower needs.

Findings/Conclusions: In order to improve its justifications for budget requests, the Army needs to overcome various problems. The Army's manpower survey program is not designed to provide input to the budget. Since the survey teams determine garrison needs by organizational element, and the Army budgets by activity; the survey team recommendations cannot be summarized into the activity used for budgeting. Survey team recommendations have exceeded Congressional authorizations; in fiscal year 1978 the shortage was 20 percent. Survey teams and work measurement staff make recommendations without regard to the source of labor, even though garrison labor is funded by four appropriations and can be managed under about nine different programs. Installation commanders have been given a great deal of flexibility in distributing available resources, organizing activities, and using other labor sources, but this decentralized management contributes to a number of problems. Commands have been directed to develop work measurement standards for total programs or missions, but the Army headquarters has not provided the top level management direction on selecting the appropriate technique, how to relate work center requirements to program changes in the budget, how to develop standards to compare similar activities, the extent methods studies should be conducted to improve and standardize operations before setting standards, and collecting reliable labor and workload data.

Recommendations: The Secretary of Defense should identify the type of information the Army needs to prepare and support its manpower budget. The Secretary should require the Army headquarters to use personnel experienced in budgeting, manpower, workload planning and control, data processing, and work measurement to design a manpower management system. This system should have the following characteristics: (1) an organizational structure that combines the manpower-related responsibilities and staffing into one organization at all levels; (2) a methodology for determining manpower needs based on work measurement where it is feasible and cost effective, using onsite reviews only to review methods, procedures, and organizational efficiency in connection with the development and validation of staffing standards; (3) a management information system which uses a common data base for work center needs, garrison costs, budget requests, allocations, and evaluations of manpower use; and (4) a determination of the spaces needed to implement the system and an allocation of these manpower resources to the program.

Agency Comments/Action

Defense said it supports and will implement the basic thrust of these recommendations.

Appropriations

Military personnel - Army
Operation and maintenance - Army

Appropriations Committee Issues

Agency workforce planning should identify the numbers of employees needed to effectively and efficiently accomplish the Government's essential work.

DEPARTMENT OF DEFENSE - MILITARY

FACILITIES MANAGEMENT

Small Arms Ranges at Reserve and Guard Facilities (LCD-81-8, 10-15-80)

Departments of Defense and the Army

Budget Function: National Defense: Defense-Related Activities (0054)
Legislative Authority: DOD Directive 4000.19.

In recent years, Reserve components have claimed that they need additional funds to enlarge their training centers and armories or to construct new ones. Because of the high costs involved and earlier work that identified unused indoor small arms range space in Reserve components' facilities, GAO reviewed the use of indoor and outdoor small arms ranges in the Sacramento, California, area.

Findings/Conclusions: GAO found that: (1) small arms ranges are well suited for use on a regional basis by Reserve personnel who commute to and from their training locations; (2) Department of Defense (DOD) procedures establish the basic policies for sharing small arms ranges (one DOD activity should support another whenever possible); (3) the Air National Guard, Army, Air Force, and Marine Corps Reserves are required to consider ranges in the area before programing and constructing a new range (the Navy Reserve uses Marine Reserve ranges); (4) the Army National Guard builds an indoor range in most new armories without considering the availability of other ranges in the area; (5) where range capacity is sufficient, the Army Reserve is converting indoor range space to other needs; and (6) in Sacramento, the Army National Guard plans to construct an organizational maintenance shop with a range, which will not be used for annual weapons firing or vehicle training, but to meet the need for maintenance space. Since a health and safety evaluation is underway which could make indoor ranges more costly, GAO believes that the changes proposed in its report should be considered and made a part of any planning for indoor ranges. The planned change by the Army National Guard to delete the requirement to also use indoor range space for vehicle training increases the need for a specfic Army National Guard criterion requiring consideration of existing ranges and the possibility of sharing ranges.

Recommendations: The Secretary of the Army should evaluate against the established criteria the 54 indoor ranges planned for construction in new armories for fiscal years 1979 through 1981, as well as existing ranges in any of the seven armories with alteration or expansion projects. The Secretary of Defense should direct the Secretary of the Army to establish criteria for the Army National Guard that will require consideration of existing range capacity when planning the construction of ranges at armories.

Agency Comments/Action

DOD generally concurred in the GAO findings. DOD stated that studies are currently underway which evaluate existing and planned indoor ranges for compliance with new and stricter health and safety criteria and that these studies will have a bearing on cost considerations and dual purpose space--small arms ranges and vehicle maintenance areas. DOD advised that preliminary conclusions of the National Guard are that it must utilize single purpose ranges despite the cost advantages of ranges used for other activities, such as maintenance, as well as test-firings. This is because the Army has concluded that health hazards--lead accumulation--would be too great for additional uses of the ranges. The Army has agreed to incorporate the criteria changes recommended in the report.

Appropriations

Operation and maintenance - Army Reserve
Operation and maintenance - Army National Guard

DEPARTMENT OF DEFENSE - MILITARY

FACILITIES MANAGEMENT

Congress Cannot Rely on the Military Services' Reported Real Property Maintenance and Repair Backlog Data (LCD-81-19, 2-2-81)

Departments of Defense, the Navy, the Army, and the Air Force

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)

A review was conducted of the Department of Defense's (DOD) backlog of real property maintenance and repair projects. The reported DOD backlog is hundreds of millions of dollars less than the actual level of deficiencies. Consequently, Congress is not receiving a true picture of the backlog.

Findings/Conclusions: The failure of DOD to ensure uniform interpretation of its definition and guidance for backlog reporting has resulted in: (1) the Navy revising its reporting system to allow for showing only part of its total maintenance and repair backlog; (2) the Air Force designing its system to report as backlog only part of its real property deficiencies to be corrected by commercial contract; (3) Army and Marine Corps systems generally reporting unconstrained backlog; and (4) certain commands and installations taking individual actions, some in violation of service regulations, which serve to further constrain the levels of reported backlog. Congress cannot rely on even that portion of the backlog that the services are reporting as being accurate and valid. DOD has not ensured credible backlog reports by the services. The reported backlog data are further understated and unreliable because: (1) facility inspection procedures do not ensure that all deficiencies are identified for reporting; (2) the DOD requirement that the backlog be identified from installation work plans is not consistently followed; (3) cost estimates for backlog projects are not always adequately developed or updated to reflect increased facility deterioration and price escalation; and (4) inadequate command review and validation has resulted in the reporting of erroneous and inconsistent data and questionable adjustments to reported installations' backlog.

Recommendations: The Secretary of Defense should establish and issue criteria to be used by the services in determining manageable or acceptable levels of maintenance backlog. The Secretary of Defense should report the DOD unconstrained total requirements in the Department's annual budget presentation to provide increased visibility in the area of real property maintenance and repair. The Secretary of Defense should require the services to improve their inspections and planning to ensure that maintenance and repair project identification is complete and that projects are validated and based on adequately derived and current cost estimates. The Secretary of Defense should issue guidance to provide that the defined manageable level be uniformly used by all the military services in evaluating relative plant condition and the adequacy and effectiveness of funding decisions related to real property. The Secretary of Defense should require the military services to modify their systems where necessary and implement controls to ensure that services uniformly interpret the definition and instructions for reporting backlog.

Agency Comments/Action

DOD generally agreed that some problems exist regarding reporting of the real property maintenance and repair backlog data. With one exception, DOD agreed with the recommendations and said that it will take the necessary steps to implement the recommendations. DOD did not agree that it should report unconstrained total requirements in its annual budget presentation. DOD said the real property maintenance and repair backlog data are intended to be a high priority, essential list of deficiencies and that reporting unconstrained total deficiencies would require additional personnel and an increased administrative workload and would not be as meaningful or effective in making resource decisions.

Appropriations

Operation and maintenance - Department of Defense, Army, Navy, Air Force

Appropriations Committee Issues

GAO believes that total backlog must be reported and used to ensure effective long-term program management by DOD and Congress. Without the reporting of a total backlog and its consideration in the development of a manageable backlog level, neither DOD nor Congress will have an adequate basis for effective management decisionmaking process directed toward real property and maintenance and repair backlog data reduction. Unless DOD can reach agreement with the Committees that full disclosure is not required, it should report total backlog to Congress and consider it in developing a meaningful, manageable level.

DEPARTMENT OF DEFENSE - MILITARY

FACILITIES MANAGEMENT

Delays in Disposing of Former Communication Sites in Alaska: Millions in Property Lost and Public Safety Jeopardized

(PLRD-81-28, 5-28-81)

Departments of the Air Force and the Interior, and General Services Administration

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)
Legislative Authority: A.F.R. 85-9. A.F. Program Action Directive 77-202. 10 U.S.C. 2662.

GAO reviewed the problems in the Air Force's efforts to dispose of real and personal property at White Alice Communication System sites in Alaska.

Findings/Conclusions: GAO visited seven closed sites and found that security is minimal, and break-ins are common. No maintenance has been performed, much property is missing, vandalism is extensive, and items of value are still at the sites. GAO found large quantities of bulk fuels and dangerous chemicals at six sites. The Air Force does not intend to dispose of real property at colocated sites; sites which are at, or close to, active military installations. In 1977, the Alaskan Air Command (AAC) developed a plan for removing personal property from colocated sites and later removed some supplies and equipment. However, according to AAC, funding constraints in early 1980 effectively ended further property removal. Disposal of real property at noncolocated sites can begin only after the real property is reported to a disposal agency. By law, the military must wait 30 days after making an excess report to Congress before real property is reported to a disposal agency. As of August 1980, the Air Force had reported only one site as excess to Congress. The disposal of personal property has been delayed because of disagreement between ACC and the General Services Administration. An AAC analysis showed that it would not be cost effective to remove personal property from noncolocated sites and return it to the Air Force supply system. However, GAO found that the value of some property removed was significantly more than the cost to return it to the supply system.

Recommendations: The Secretary of the Air Force should rid sites of dangerous chemicals and environmental pollutants. The Secretary of the Air Force should inspect sites periodically to assure that they are safe until disposal is completed. The Secretary of the Air Force should assure that White Alice sites are properly maintained until disposal is completed. The Secretary of the Air Force should require AAC to properly dispose of real and personal property as quickly as possible. The Secretary of the Air Force should require AAC to establish a time limit for reporting closed White Alice sites to Congress. The Secretary of the Air Force should require AAC to use combat distribution teams for returning property from White Alice sites when this is cost effective.

Agency Comments/Action

The Air Force agreed that it had substantial property disposal problems as identified in the report. The Air Force indicated that it has taken some actions. For example, on February 27, 1981, it notified Congress that 10 sites were to be closed and declared excess. The Air Force said that it would inventory and identify personal property at the sites and attempt to determine the best method of disposal.

Appropriations

Operation and maintenance - Air Force

DEPARTMENT OF DEFENSE - MILITARY

GOVERNMENT-FURNISHED MATERIAL

The Navy Is Not Adequately Protecting the Government's Investment in Materials Furnished to Contractors for Ship Construction and Repair

(PLRD-81-36, 6-9-81)

Department of the Navy

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)
Legislative Authority: NAVSEA Instruction 4341.1.

The Navy provides billions of dollars of Government-furnished materials (GFM) to contractors for use in constructing, overhauling, and repairing Navy ships. GFM includes parts, components, assemblies, raw and processed materials, and supplies that are attached to or incorporated into ships. Various Navy commands either own or acquire the materials and issue them to the contractors as part of the contractual agreement. Responsibility for monitoring these materials is highly fragmented among Naval Sea Systems Command (NAVSEA) activities in Washington, D.C., and local Supervisors of Shipbuilding, Conversion, and Repair (SUPSHIP) located throughout the United States.
Findings/Conclusions: The Navy does not know how much GFM is in its contractors' possession because there are no overall financial or other management systems to account for these materials. No person or office is either responsible or accountable for overall protection of the Government's investment in GFM which the Navy provides to contractors. Further, the NAVSEA focal point for SUPSHIP operations has not ensured that SUPSHIP's carry out their responsibilities for managing GFM in accordance with Defense and Navy policies and regulations. Of the four SUPSHIP's visited by GAO, no two were carrying out the basic regulations and instructions for GFM management in the same manner. As a result, SUPSHIP management of GFM varied widely in effectiveness. The one SUPSHIP that had the most effective management of GFM used an in-house computerized monitoring system and forced contractors to follow Defense Acquisition Regulations. The failure of the other three SUPSHIP's to fully enforce regulations led to inaccuracies and inefficiencies in contractors' GFM control systems, caused excess items to be held for extended periods of time, and inadequately protected the Government's interest.
Recommendations: The Secretary of the Navy should ensure GFM redistribution is done in the most timely and economical manner. The Secretary of the Navy should develop a system for maintaining overall financial and logistics data to control GFM. The Secretary of the Navy should develop an information system to provide inventory managers visibility over GFM in the possession of SUPSHIP's and contractors. The Secretary of the Navy should study the Seattle and NAVSEA computerized monitoring systems to determine which is the most effective and economical for SUPSHIP applications. The Secretary of the Navy should evaluate each SUPSHIP to ensure property administrators are enforcing Defense Acquisition Regulations requirements and ensuring the reliability of contractors' records through periodic inventories, onsite audits, and unscheduled inspections.

Agency Comments/Action

The Navy fully concurred with all but one recommendation and indicated that action was being taken to implement the recommended changes. The Navy contended, however, that a requirement for overall centralized logistical data to control GFM would neither be practical nor augment management effectiveness, and it would not be cost beneficial. The Navy claimed that GFM logistics data were tracked by specific program, thus providing asset visibility and control at the management level while providing the flexibility needed to accomplish ship construction and repair missions.

Appropriations

Operation and maintenance - Navy
Shipbuilding and conversion - Navy

Appropriations Committee Issues

The Government must adequately protect GFM held by contractors to insure that the material is properly and effectively used and that excess or unneeded material be promptly identified and redistributed.

DEPARTMENT OF DEFENSE - MILITARY

HEALTH MATTERS

Legislation Needed To Encourage Better Use of Federal Medical Resources and Remove Obstacles to Interagency Sharing

(HRD-78-54, 6-14-78)

Departments of the Army, the Navy, and the Air Force

Budget Function: Health: Health Care Services (0551)
Legislative Authority: Heart Disease, Cancer, and Stroke Amendments of 1965 (42 U.S.C. 299). Comprehensive Health Planning and Public Health Service Amendments of 1966 (42 U.S.C. 246). National Health Planning and Resources Development Act of 1974 (P.L. 93-641; 42 U.S.C. 300). Economy Act (31 U.S.C. 686). 38 U.S.C. 5003. 38 U.S.C. 5053. 42 U.S.C. 254a. 10 U.S.C. 2301. 10 U.S.C. 1079. 10 U.S.C.1074. 38 U.S.C. 213. 38 U.S.C. 628. 38 U.S.C. 613. H.R. Conf. Rept. 94-1314. Army Regulation 40-3. OMB Circular A-95.

Concern has been expressed about the increasing costs of medical care in the Nation. The Department of Defense (DOD), the Veterans Administration (VA), and the Department of Health, Education and Welfare (HEW) have the major responsibility for providing health care directly to beneficiaries. Several laws have been enacted to encourage regional cooperation in health care.
Findings/Conclusions: Federal agencies' participation in regional health planning groups has been, for the most part, only advisory. In fiscal year 1977, the responsible agencies spent over $6 billion to provide medical care to Federal beneficiaries and over $700 million for care in the non-Federal sector. Increased interagency sharing is being planned, and an interagency Federal Health Resources Sharing Committee has been established. However, there are obstacles to interagency sharing such as the absence of a specific legislative mandate or guidance for this purpose, restrictive regulations and policies, and inconsistent methods for reimbursing agencies for services provided to beneficiaries of other agencies.
Recommendations: The Secretaries of Defense and HEW and the Administrator of VA should direct the committee to seek solutions to obstacles within agencies which impede sharing, and report annually to congressional appropriations committees on progress. The Director, Office of Management and Budget (OMB), should establish a management group to work with agencies to better coordinate the development of an effective Federal sharing program. Congress should enact legislation to establish an expanded and cost-effective interagency sharing program. The legislation should establish a policy that directs interagency sharing, authorize Federal direct health care providers to accept all categories of beneficiaries on a referral basis when advantageous, eliminate restrictions on medical services which can be shared, authorize sharing arrangements by Federal field hospital managers, authorize expansion of services for cost effectiveness, establish a policy requiring fullest use of nearby Federal medical resources, authorize a method of reimbursement for Federal hospitals in which revenues would offset expenses, and assign to OMB responsibilities for coordinating interagency sharing and reporting to Congress.

Agency Comments/Action

DOD, VA, and HEW generally agreed with the conclusions and recommendations, expressing their support for the concept of increased sharing of Federal medical resources. They cited several actions that have already been taken toward this objective, including the establishment of the Federal Health Resources Sharing Committee. OMB agreed that interagency sharing should be improved, but did not agree with some of the recommendations concerning its role in increasing interagency sharing. OMB strongly disagreed with the proposed legislative mandate and the extent to which the legislation would thrust OMB into the direct management of agency health programs. None of the administrative obstacles identified in the report have been resolved. However, the major obstacle to interagency sharing, the issue of inconsistent and unequal methods for reimbursing agencies for services rendered to other agencies' beneficiaries, was considered by the Federal Health Resources Sharing Committee. No resolution of this matter has been achieved. OMB has not established a management group to work with DOD, HEW, and VA to coordinate the development of an effective interagency sharing program. Legislation has been introduced in both Houses of the 97th Congress to establish an effective interagency medical resource sharing program. This legislation focuses primarily on the operations of the DOD and VA direct health care systems.

Appropriations

Medical care - Veterans Administration
Operation and maintenance - Army, Navy, Air Force
Military construction - Army, Navy, Air Force
Military personnel - Army, Navy, Air Force

Appropriations Committee Issues

Eliminating legislative and administrative obstacles and implementing a structured Federal interagency sharing program would be advantageous to both the Federal Government and its health care beneficiaries.

DEPARTMENT OF DEFENSE - MILITARY

HEALTH MATTERS

Military Medicine Is in Trouble: Complete Reassessment Needed (HRD-79-107, 8-16-79)

Departments of Defense, the Air Force, the Army, and the Navy

Budget Function: National Defense: Defense-related Activities (0054)
Legislative Authority: 10 U.S.C. 1074 . 10 U.S.C. 1076 .

Since the end of the draft in 1973, the military's direct medical care system has experienced a gap between the number of military physicians it has available and the number needed to provide medical care, thereby seriously impairing the system's ability to meet peacetime medical needs efficiently and effectively. Hospital operations have been hampered by the lack of physicians, as has the ability of active-duty members to obtain medical care.

Findings/Conclusions: The military service medical departments project substandard professional staffing levels past 1984, with no foreseeable increase in the supply of military physicians. Department of Defense data showed widespread closings and reductions of medical services in fiscal year 1978 due to the shortage, affecting all beneficiaries. GAO visited seven military hospitals and found services closing and reopening, depending on physician availability, patients sent elsewhere or moved long distances for specialized services; greater dependence on civilian services; longer waits by patients; occasional denial of services; and temporary assignments of physicians to short-handed nonmedical functions. GAO recognizes the physician shortage but sees additional reasons for the system's shortcomings, including shortages among other medical service personnel. GAO surveyed beneficiaries living within 30 miles of military hospitals and found that most families of retired members had tried to obtain medical care during an 8-month period; about one-third of them could not do so. GAO estimated that in the survey period, 104,000 active-duty members and 157,000 retirees failed to obtain care. A followup questionnaire from GAO showed that most patients sought medical care elsewhere because of physician shortages or long waits for appointments; they compared civilian care favorably to that of military hospitals and experienced only slight difficulty in paying for these services.

Recommendations: Congress should reevaluate the role and structure of the military medical care system and direct DOD to improve its abilities to serve beneficiaries in peacetime, including clarification and recognition of the system's mission and role as a peacetime health care delivery system. Clear policies should be adopted as to the system's peacetime clients and how those not adequately served can best obtain medical care from other sources. Congress should consider three alternative proposals: adequate staffing of military facilities to provide care for all beneficiaries; providing care in military hospitals and financing care in civilian hospitals while limiting military hospital access under service capacity restrictions or eliminating service entitlement for certain beneficiary groups; or continuing to offer military hospital care and civilian hospital financing but reducing the number of operational military hospitals to a number that could be adequately staffed by existing and projected levels of physicians and staff personnel. GAO made several specific recommendations to DOD for improving the direct care system's ability to serve beneficiaries.

Agency Comments/Action

DOD agreed with the basic findings and with the need for Congress to reevaluate the role and structure of the military's direct medical care system in peacetime. DOD believes, however, that some of the alternatives GAO proposed could reduce wartime contingency capability. Concerning the recommendations to DOD for improving the direct care system's capability to serve beneficiaries, DOD said the problems addressed by GAO were recognized and that efforts were being made to alleviate them.

Appropriations

Operation and maintenance - Army, Navy, Air Force
Military construction - Army, Navy, Air Force
Military personnel - Army, Navy, Air Force

Appropriations Committee Issues

The adoption of any proposal to alter the present makeup of the military health care system will have significant funding implications, which must be considered by the Appropriations Committees.

HEALTH MATTERS

The Congress Should Mandate Formation of a Military-VA-Civilian Contingency Hospital System (HRD-80-76, 6-26-80)

Departments of Defense and Health and Human Services, Veterans Administration, and Federal Emergency Management Agency

Budget Function: Health: Health Planning and Construction (0554)

In response to a request, GAO reviewed the Department of Defense (DOD) plans to use nonmilitary hospitals to treat battlefield casualties in the event of war or conflict. The need for developing a contingency hospital system consisting of DOD, Veterans Administration (VA), and civilian medical resources is discussed. The primary emphasis is that the VA role should be greater than currently planned by DOD. The extent of support VA will provide DOD in treating returning battlefield casualties is the most important issue in developing a civilian-military contingency hospital system for medical treatment of wartime casualties. DOD has looked primarily to civilian medical resources to meet anticipated shortfalls should the United States become involved in war. Only recently has specific consideration been given to VA medical capability. DOD officials said that civilian resources would still be needed to treat battlefield casualties, even if DOD and VA resources were fully used for that purpose.

Findings/Conclusions: DOD recently revised several aspects of its original system. Major changes appear to be: (1) elimination of a new, possibly duplicative administrative structure as originally proposed; and (2) reliance on the military services for patient administration responsibilities. GAO agreed with these revisions. DOD revised plans are still unclear about how civilian beds and staff would be made available. Available beds and staff should be identified assuming patients are discharged early whenever possible and nonemergency admissions are restricted during the war surge period. Failure to resolve issues regarding civilian physician and hospital reimbursement and liability could limit implementation of the planned system. VA should be much more involved in planning and caring for battlefield casualties than it would be in caring only for those who will not return to duty. Just how much VA can participate is questionable. DOD has not told VA what its needs are, nor has VA told DOD what its capabilities are. GAO believes that the Nation should prepare for a possible conflict by planning to appropriately use Federal medical resources before calling on civilian resources. A strong peacetime medical resources sharing program could provide a more effective relationship between VA and DOD that could prove invaluable in war.

Recommendations: The Secretary of Defense and the Administrator of Veterans Affairs should jointly: (1) develop and establish the framework for a military-VA-civilian contingency hospital system; (2) analyze DOD and VA medical care resources to determine the Federal patient treatment capability on a time-phased basis; and (3) identify Federal and civilian capability that could be provided assuming that patients are discharged early whenever possible and nonemergency admissions are restricted during the war surge period. In addition, the Secretary should: (1) compare the medical care requirements calculated under various wartime scenarios with available Federal medical resources to determine how much and what type of civilian medical care capability would be needed to augment Federal capability; (2) determine the optimal number and placement of U.S. aeromedical staging facilities with emphasis on locations near concentrations of military and VA medical resources; and (3) in concert with other agencies having contingency planning responsibilities, assume overall coordinating responsibility for plans jointly developed by DOD and VA using Federal medical resources and necessary civilian medical capability under the military-VA-civilian contingency hospital system. The Administrator should: (1) provide estimates to DOD concerning VA potential facility and staffing capabilities to treat returning battlefield casualties regardless of whether those casualties would be expected to return to duty, and these estimates should be developed through the joint DOD-VA planning effort to establish a system; and (2) ascertain the extent to which VA affiliated hospitals would be able to assist VA in treating battlefield casualties. Congress should enact legislation which provides that both DOD and VA fully participate in Federal medical planning for and care of returning wartime casualties. Such legislation should: (1) give VA the mission of providing direct medical support to DOD for treating battlefield casualties; (2) place battlefield casualties above veterans with non-service-connected, nonemergency conditions in priority for care; and (3) remove numerous obstacles to interagency sharing, as GAO previously recommended, so that VA and DOD may establish a strong peacetime medical resources sharing program to serve as an effective foundation for a military-VA-civilian contingency hospital system.

Agency Comments/Action

DOD is in general agreement with the report's recommendations and has initiated actions necessary to implement those recommendations made to the Secretary of Defense. VA believes the recommendations are not inconsistent with its interests and past efforts, including working with DOD officials on wartime contingency arrangements. However, VA believes the full implementation of the recommendation made to it is contingent upon appropriate legislation being enacted. The Federal Emergency Management Agency agrees with the report recommendations. It is concerned, however, that it and the Department of Health and Human Services were excluded from participation in the development of the civilian-military contingency hospital system.

Appropriations

Operation and maintenance - Army, Navy, Air Force
Operation and maintenance - Veterans Administration, Department of Medicine and Surgery
Operation and maintenance - Federal Emergency Management Agency

Appropriations Committee Issues

Legislation has been introduced in both Houses of Congress which would meet the intent of the GAO recommendations to Congress and would greatly enhance the establishment of a DOD-VA-civilian contingency hospital system. The Committees should monitor the progress of the legislative proposals and their potential impact on the requested funding levels of the affected agencies.

DEPARTMENT OF DEFENSE - MILITARY

HEALTH MATTERS

Legislation on Sizing Military Medical Facilities Needed To Correct Improper Practices, Save Money, and Resolve Policy Conflicts

(HRD-81-24, 12-17-80)

Department of Defense and Office of Management and Budget

Budget Function: Health: Health Planning and Construction (0554)
Legislative Authority: P.L. 94-212. DOD Instruction 6015.16. 10 U.S.C. 55. 10 U.S.C. 1074. 10 U.S.C. 1076. 10 U.S.C. 1087.

An examination was made of the extent to which the Department of Defense (DOD) should plan to provide space in its new and replacement medical facilities for retirees and dependents of retired and deceased members. This factor has important policy implications, because it will affect the cost of constructing and operating medical facilities in the future and the medical benefits available to military beneficiaries.

Findings/Conclusions: DOD should have the flexibility to plan the size of new military hospitals and clinics based on considerations of cost effectiveness, staff availability, realistic workload projections, and teaching and training requirements. Under existing legislation, only teaching and training requirements are considered in planning space for retirees and dependents of retired and deceased members in new or replacement medical facilities. New legislation could correct the services' current improper sizing practices, save money in the long run, and align the sizing policy with the policy for providing staff and other medical resources to facilities once they are built. Construction which would provide greater capacity would be consistent with DOD responsibility to provide adequate medical facilities to meet its responsibilities in a war or national emergency. Currently, the military services are required to limit the size of new hospitals and clinics to accomodate active-duty members and their dependents, plus additional capacity not exceeding 5 or 10 percent to meet training and teaching requirements. The three military services presently do not fully comply with DOD hospital sizing limitations. Either enforcement of the requirement or modification of the law is indicated.

Recommendations: Congress should amend title 10, section 1087, U.S. Code, to allow for the sizing of military hospitals and clinics based on (1) life-cycle cost-effectiveness; (2) staff availability; (3) realistic workload projections; and (4) teaching and training requirements. The Secretary of Defense, pending enactment of new legislation, should revise DOD Instruction 6015.16 as necessary based on the results of the review of the 5- and 10-percent factors. The Secretary of Defense, pending enactment of new legislation, should consider, as part of the review, whether the 5- and 10-percent factors are the most appropriate factors to apply to outpatient and inpatient facilities. The Secretary of Defense, pending enactment of new legislation, should direct the Secretaries of the Army, Navy, and Air Force to uniformly apply the size limitations required by law and DOD instructions to both inpatient and outpatient facilities when programming space in new hospitals and clinics. The Secretary of Defense, pending enactment of new legislation, should review the 5- and 10-percent factors used in sizing military medical facilities, as suggested in the conference report on the military construction appropriations bill for fiscal year 1977, to determine if these percentages are still valid for meeting teaching and training requirements.

Agency Comments/Action

DOD submitted a legislative proposal to Congress in line with the GAO recommended legislative modification. Congress has not yet acted on this proposal.

Appropriations

Military construction - Army, Navy, Air Force

Appropriations Committee Issues

The DOD sizing of its medical facilities warrants close scrutinization during the appropriations process to assure that sizes of both inpatient and outpatient segments of the facilities are formulated with existing legislative authority. If the recommended legislative modification is enacted, close attention should be given to the services' potential abilities to adequately staff facilities which are sized in accordance with the revised sizing criteria.

DEPARTMENT OF DEFENSE - MILITARY

HEALTH MATTERS

Performance of CHAMPUS Fiscal Intermediaries Needs Improvements (HRD-81-38, 2-2-81)

Department of Defense

Budget Function: Health: Health Care Services (0551)
Legislative Authority: Dependents' Medical Care Act (Military) (P.L. 84-569). P.L. 89-614.

Several years ago the Department of Defense (DOD) converted its contracts with fiscal intermediaries under the Civilian Health and Medical Program of the Uniform Services (CHAMPUS) from a cost-reimbursable to a fixed-price basis, in which a set fee is paid for each claim processed. While administrative savings have been achieved under these competitively bid, fixed-price contracts, performance has been less than satisfactory. GAO reviewed the performance under competitively bid, fixed-price contacts of five intermediaries that process over 80 percent of CHAMPUS claims.

Findings/Conclusions: The review showed that the fiscal intermediaries (FI) were not fulfilling many of their contractual responsibilities. In addition, the Office of the Civilian Health and Medical Program (OCHAMPUS), which administers the program, did not have adequate means to measure performance and enforce requirements. Improvements were needed in: (1) the accuracy of administering benefits in order to comply more fully with CHAMPUS regulations, instructions, and policies; (2) the systems established for controlling and containing costs; (3) the services to beneficiaries and providers in processing claims, correspondence, and appeals; and (4) the management of funds covering benefit and administrative costs.

Recommendations: Congress should enact legislation requiring that no benefits be payable for dependents of active-duty members when the benefit claimed is payable under another insurance plan, obtained by employment or law, in which the beneficiary is covered. The Secretary of Defense should adopt the 1971 GAO recommendation to limit CHAMPUS payments, when combined with other insurance, to reasonable charges. The Secretary of Defense should improve the financial management of CHAMPUS by adopting the letter-of-credit method for providing funds. The Secretary of Defense should require OCHAMPUS to give FI's guidelines for reviewing claims for medical necessity and monitor the implementation of these guidelines. The Secretary of Defense should fully integrate the claims examination function with system reviews in performing OCHAMPUS visits to FI sites in order to achieve optimum benefits from this function. The Secretary of Defense should require FI's to adopt OCHAMPUS contract requirements within specified time limits and follow up on these requirements to assure that they have been implemented and are being administered uniformly. The Secretary of Defense should obtain more uniform administration of reasonable charges by requiring all FI's to use similar charge data in establishing reasonable charges. The Secretary of Defense should require OCHAMPUS to closely monitor FI implementation of utilization and peer review systems and to assess penalites when systems required either by the contract or by OCHAMPUS regulations are not implemented within specified time periods. The Secretary of Defense should require OCHAMPUS to develop methods for testing whether FI systems are appropriately identifying claims requiring rejection and to more closely review FI systems for rejecting claims. The Secretary of Defense should revise contracts to increase the FI role in educating beneficiaries in regard to CHAMPUS program provisions and claim submission requirements. The Secretary of Defense should require FI's to prepare periodic reports in the detail and format necessary for OCHAMPUS to compare performance to standards and require OCHAMPUS to verify the accuracy of the reports during periodic visits to FI's. The Secretary of Defense should revise contracts to (1) increase penalties for failure to meet performance standards, and/or (2) provide positive incentives for meeting standards, if the penalties assessed under the liquidated damage provisions of current contracts do not result in acceptable performance. The Secretary of Defense should explore the possibility of permitting FI's to accept sponsors' signatures in lieu of patients' signatures on claims, thereby significantly reducing the number of claims returned to beneficiaries. The Secretary of Defense should revise contracts to provide for penalties and/or incentives relating to performance in such areas as implementation of systems to determine the location and status of inquiries, responsiveness to inquiries, and provision of adequate telephone service. The Secretary of Defense should improve the financial management of CHAMPUS funds by adopting procedures that assure that FI's routinely and promptly return excess benefit funds to OCHAMPUS. The Secretary of Defense should establish standards for accuracy of claim processing and benefit administration, and the standard for payment errors should be about 2 percent of billed charges, rather than 4 percent as proposed by OCHAMPUS. This standard should be evaluated periodically and adjusted downward as fiscal intermediaries become more proficient in processing CHAMPUS claims. The Secretary of Defense should improve specific program areas of claim processing benefit administration by (1) discontinuing the use of old claim forms and adopting new forms that contain clear instructions on supplying information on other insurance in which beneficiaries are enrolled; (2) requiring FI's to adopt procedures that result in investigating claims where other insurance has made payments in the past; (3) issuing clarifying instructions to FI's on cases requiring further development because of possible third-party liability, automobile insurance, or workmen's compensation; (4) requiring the FI's to submit for OCHAMPUS approval their procedures and system description for assuring that nonavailability statements are obtained as required; and (5) issuing guidelines requiring confirmation of eligibility of dependents without identification cards when their last names are different from that of service members. The Secretary of Defense should improve the financial management of CHAMPUS funds by issuing clarifying instruction on types of claims entitled to administrative reimbursement. The Secretary of Defense should improve the financial management of CHAMPUS funds by establishing minimum time requirements for processing audit adjustments and monitoring the procesing of these adjustments more closely. The Secretary of Defense should improve the financial management of CHAMPUS funds by developing specific procedures for FI's to follow in identifying and collecting erroneous payments. The Secretary of Defense should improve the financial management of CHAMPUS funds by recovering overpayments and rectifying underpayments from the incorrect counting of claims by OCHAMPUS. The Secretary of Defense should improve the financial management of CHAMPUS funds by developing guidelines for internal controls over the safeguarding of checks and separation of duties in handling and processing checks. The Secretary of Defense should improve the financial management of CHAMPUS funds by determining the types of claims each fiscal intermediary splits and examining a sampling of split claims to verify that reasons for the splits comply with program regulations.

Agency Comments/Action

DOD generally agreed with the findings and cited major changes and improvements in CHAMPUS since completion of the GAO work. These included: (1) changes in key management personnel at CHAMPUS to improve the overall management of the program; (2) the issuance of precise instructions, guidelines, statements of work, performance standards, and incentives to fiscal intermediaries regarding such things as coordination of benefits, securing nonavailability statements, accuracy and timeliness of claims processing, and returning excess funds; and (3) conducting more in-depth contractor performance evaluations.

Appropriations

Operation and maintenance - Defense agencies

HEALTH MATTERS

Assessment of the Navy Comparative Study of Florida Canyon and Helix Heights for the Proposed San Diego Naval Hospital
(HRD-81-71, 4-23-81)

Departments of Defense and the Navy

Budget Function: National Defense: Defense-Related Activities (0054)
Legislative Authority: Military Construction Authorization Act, 1980 (P.L. 96-125). Military Construction Authorization Act, 1981 (P.L. 96-418). P.L. 96-436. H. Rept. 96-1097.

GAO was requested to assess all aspects of the Navy's November 25, 1980, Comparative Study of Florida Canyon and Helix Heights, potential sites for the proposed new Naval Regional Medical Center, San Diego, California. The former Secretary of the Navy selected Florida Canyon as the preferred site but, after the Comparative Study, several significant events occurred relating primarily to the design and location of the hospital on the Florida Canyon site. Among these events were: (1) the Navy's decision to modify the high-rise medical facility concept and return to a low-rise design that would be more in line with the original planning concepts developed before the earthquake fault in Florida Canyon was discovered; and (2) further testing of the fault showed that more land was available for building on the western upper-segment of the Florida Canyon site than was originally anticipated.
Findings/Conclusions: GAO believes that the Navy's decision to locate the medical center in Florida canyon is still appropriate. This conclusion is premised on several factors: (1) the Navy's decision to move to the west side of Florida Canyon eliminates or diminishes many significant problems associated with the construction of a high-rise structure on the east side of the canyon; (2) the land assembly process at Helix Heights is still uncertain; (3) the potential flexibility associated with peacetime uses of Building 26 and the Navy's desire to retain it for acute-care use in the event of a contingency makes this site more attractive; and (4) the currently estimated cost premiums at Florida Canyon could be at least partially offset by making maximum peacetime use of Building 26. The conclusion is based on the assumption that environmental considerations raised and the results of pending environmental and land condemnation litigation will not override factors already considered in selecting the medical center site. GAO believes that the Navy's plan to mothball Building 26 for contingency purposes is not the best approach for possible use of the building. Consideration should be given to mothballing the three basement levels and using the rest of the building during peacetime for such activities as light care and the corps school. This would eliminate or defer the need for constructing new light care and corps school facilities.
Recommendations: The Secretary of Defense should direct, if it is decided to locate the medical center at Florida Canyon, the Secretary of the Navy to confirm the potential for peacetime uses of Building 26 that preserve the facility's acute care structure. The Secretary should take no action to design or construct a proposed light care facility until the use potentials have been confirmed.

Agency Comments/Action

Following the report and the completion of the environmental impact statement process, the Navy decided to locate its proposed facility at the Florida Canyon site in Balboa Park. The Navy also contracted with an engineering firm to determine the best alternative uses of Building 26 as recommended in this report. The firm's recommendations are due to the Navy in late 1981 and the Navy's decisions concerning the reuse of Building 26 should impact on the specific facilities that are planned for reconstruction at the medical center.

Appropriations

Military construction - Navy

Appropriations Committee Issues

The funding of individual segments of the proposed medical center will be an issue of interest to the Committees for several years. The Navy's decision regarding the reuse potentials of Building 26 will affect the amount of funding DOD requests for future increments of construction.

DEPARTMENT OF DEFENSE - MILITARY

HEALTH MATTERS

DOD Needs Better Assessment of Military Hospitals' Capabilities To Care for Wartime Casualties (HRD-81-56, 5-19-81)

Department of Defense

Budget Function: Health: Health Planning and Construction (0554)

GAO reviewed the Department of Defense's (DOD) efforts to provide medical facilities for American casualties who would be returned to the United States for medical care in the event of a war in an overseas area.

Findings/Conclusions: The latitude provided in DOD guidance on the wartime use of military hospitals in the continental United States (CONUS) permits significant differences in the way the military services determine the extent of care that could be provided in their facilities if a war began. Under DOD guidance, the services have adopted different: (1) transition plans for converting individual hospitals to handle wartime casualties; (2) methods for identifying capacity of individual hospital facilities to expand the care for wartime workload; (3) stockpiling policies for medical materiels to meet mobilization expansion requirements; (4) types of buildings as wartime assests to augment hospital capacity; and (5) policies for retention of closed hospitals as future mobilization facilities. As a result of these differences, DOD does not have an accurate assessment of the medical mobilization capacity of CONUS military facilities. Recently, DOD has given little consideration to mobilization in configuring new hospitals, and its construction planning has been directed primarily to meeting design requirements for peacetime operations. Economic feasibility studies performed by the services before undertaking hospital construction projects have been used primarily to select the most cost-effective means of meeting peacetime military medical care needs. Design concept studies performed to determine configuration of new hospitals before construction are oriented to meeting peacetime performance requirements.

Recommendations: Congress should consider the relative importance of the planned hospitals' roles in the event of mobilization, the extent of mobilization expansion flexibility being built into the new hospitals, the gain or loss of mobilization capacity resulting from the planned hospital replacements, and whether nearby civilian hospitals can be expected to support mobilization needs. The Secretary of Defense should provide guidance to the military services by permitting sufficient floor space in one-bed rooms to accomodate expansion flexibility for two beds. The Secretary of Defense should provide guidance to the military services by permitting inclusion of medical utilities to support expansion beds in military hospitals planned for readiness areas. The Secretary of Defense should require the services to complete planned capability assessments in conjunction with the updating of mobilization plans being completed in 1981. *The Secretary of Defense should provide guidance* to the military services by requiring that economic feasibility studies assess and weigh, in conjunction with peacetime requirements, the mobilization implications of each construction alternative under active consideration. The Secretary of Defense should provide guidance to the military services by requiring that design concept studies identify bed expansion capacity targets, within peacetime sizing constraints, for building the flexibility to expand for mobilization into military hospitals. The Secretary of Defense should provide guidance to the military services by basing the distribution of one-, two-, and four-bed rooms on an assessment of expected peacetime patient needs and mobilization requirements. The Secretary of Defense should provide guidance to the military services by reducing, where appropriate, the number of one-bed rooms in favor of two-bed rooms to improve mobilization capacity of key readiness hospitals. The Secretary of Defense should develop criteria for services' use in determining which military facilities, such as onpost barracks, housing, or schools, are suitable for medical readiness use to augment military hospitals. The Secretary of Defense should provide guidance to the military services by identifying adjustments in normal hospital operation procedures for nursing units and central surgical and medical support areas necessary to accommodate emergency expansion and compressed bed spacing during mobilization. The Secretary of Defense should instruct the services to remove fom their mobilization plans such designated commercial buildings as hotels and motels that have been designated for conversion to hospitals. The Secretary of Defense should develop, as part of a 5-year construction plan submitted to Congress, information necessary to assess the impact on mobilization of each hospital to be replaced. For hospital replacements not included in the current DOD construction year, information provided should be identified as preliminary pending approval of planning funds for more detailed design development. The Secretary of Defense should assess past hospital design concept studies undertaken by DOD and new hospital design concepts being implemented in civilian hospitals to identify hospital construction design practices that would enhance flexibility for mobilization expansion. Design practices found useful for this purpose could be utilized by the military services for designing future hospitals. The Secretary of Defense should require the military services to reassess mobilization plans to determine if hospitals and augmenting buildings are in adequate physical condition and are operationally configured to function at planned mobilization expansion capacity. The Secretary of Defense should instruct the services to remove from their mobilization plans those inactive hospitals that cannot be efficiently equipped and operated under expanded wartime requirements and retain rights to newer hospitals that have been excessed, but offer additional operating potential. The Secretary of Defense should provide criteria for the military services to use in developing mobilization transition plans for each hospital that provide for the (1) conversion of facilities to wartime configurations; (2) stockpiling for war readiness of beds and materials to support expansion capacity; (3) phasing out of peacetime patient workloads; and (4) transition of hospital operations to designated mobilization staffs.

Agency Comments/Action

In its comments on this report, DOD stated that it agreed with most of the report's recommendations and that the report would be extremely helpful to the staff addressing medical mobilization issues.

Appropriations

Military construction - Army, Navy, Air Force

Appropriations Committee Issues

As part of the establishment of priorities for appropriating funds for the construction of military hospital replacements, the Committees should consider the relative importance of planned hospitals' mobilization roles, the extent of mobilization flexibility being built into the new hospitals, the gain or loss of mobilization capacity resulting from planned hospital replacements, and whether nearby civilian hospitals can be expected to support mobilization needs.

MAINTENANCE, REPAIR AND OVERHAUL

Navy Missile Maintenance Can Be Done Cheaper by Improving Productivity (LCD-80-43, 4-9-80)

Departments of Defense and the Navy

Budget Function: National Defense: Department of Defense - Military (except procurement and Contracts) (0051)

The Navy has not tailored its intermediate missile maintenance resources to effectively meet its needs. To achieve an effective and economic match of maintenance resources with its needs, the Navy must be able to compare the facilities' capacity with projected requirements. However, the Navy has neither determined its facilities' capacity nor the private sector's capacity to meet its missile maintenance requirements.

Findings/Conclusions: Navy officials recognize that their missile maintenance resources are greater than needed, but they do not know to what extent. An analysis indicated that the Navy's missile maintenance capacity should be reduced. Weapons stations are not using their work force efficiently because of fluctuating or insufficient workloads. As a result, there is excessive idle time and skilled workers are assigned to nonskilled jobs. The underused missile maintenance capacity is costing millions of dollars annually, but this information has not been provided to the Secretary of Defense. Furthermore, the customers of the maintenance facilities are paying for the unused capacity. The Navy lacks assurance that missile maintenance production is accomplished efficiently because the maintenance facilities are without effective work measurement systems. Consequently, actual performance standards cannot be evaluated or compared to performance standards or to other work at similar facilities.

Recommendations: The Secretary of the Navy should (1) determine the private sector's and the Navy's available capacity for intermediate maintenance of air and surface launched missiles; (2) properly size the Navy's maintenance capacity to meet the air and surface launched missile requirements; (3) develop and implement a plan to systematically eliminate unneeded capacity; (4) report to the Secretary of Defense the costs to retain or sustain unused or underused maintenance facilities in a readiness-for-mobilization position; (5) delay planned facility improvements that will not adversely affect mission effectiveness until capacity determinations have been completed and the improvements can be justified; (6) provide greater management support and reinforcement of work measurement concepts and principles at all management levels; (7) critically examine workloads at each maintenance facility to determine for which tasks labor standards should be developed; (8) direct missile maintenance managers to compare operating costs among facilities as a tool to increase missile maintenance productivity; and (9) closely monitor these actions and establish a realistic target date for estimating labor requirements based on labor standards rather than on historical data.

Agency Comments/Action

The Secretary of the Navy generally agreed with the recommendations outlined in the report. However, the Navy is unconvinced that unneeded maintenance capability/capacity exists and, in fact, indicated that more may be needed.

Appropriations

Operation and maintenance - Navy

Appropriations Committee Issues

The Navy should have sufficient, but not excessive, intermediate level maintenance capacity for guided missiles to meet its requirements.

MAINTENANCE, REPAIR AND OVERHAUL

Comparison of Air Force and Navy Aircraft Engine Parts Reparability Coding (LCD-80-85, 7-8-80)

Departments of Defense, the Air Force, and the Navy

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)

A survey was undertaken of depot overhaul and repair procedures for aircraft engines and their associated costs. In the survey, GAO noted that some aircraft engine parts, which both the Air Force and the Navy repair, are coded as reparable by the Air Force and nonreparable by the Navy. This is possible since both the Air Force and Navy consider in their coding of engine parts the purchase price, cost to repair, and the number of parts in each inventory.

Findings/Conclusions: In its review, GAO found that all the potential savings to be gained from repairing a part are not being realized. An estimated 700 out of a total of 1,300 parts, being repaired by each service and coded differently, are parts which could be condemned at maintenance levels below the depot level. The potential savings from their repair could total $1.3 million. Additionally, GAO found that the difference in coding hinders the Department of Defense's (DOD) efforts to integrate the management of parts used by two or more services. According to Air Force officials, a part repaired by two services will never be integrated beyond Phase I if each service codes the parts differently. Parts coded reparable and nonreparable are funded separately and have different requirement computations for new purchases. These differences are such that it is impractical for one service to effectively manage the parts of another service unless both code the parts the same.

Recommendations: The Secretary of Defense should require the Navy to review its coding of aircraft engine parts now coded nonreparable and to recode these parts appropriately if they can be economically repaired by either the Navy or the Air Force.

Agency Comments/Action

The Navy concurred with the GAO recommendation. It recognizes that it is a DOD objective to have items coded consistently between the services. The Navy is committed to this policy. However, it pointed out that there is no intent to compel one service to adopt the other's coding if reasonable justification can be presented. The Joint Logistics Commanders, in implementing DOD policy, have provided for a review by the using service to determine if unserviceable items should be subjected to depot repair. A provision has been made for different recoverability coding decisions where this review indicates it is more economical to do so.

Appropriations

Operation and maintenance - Air Force
Operation and maintenance - Navy

Appropriations Committee Issues

An estimated 700 out of a total of 1,300 parts, being repaired by each service and coded differently, are parts which could be condemned at maintenance levels below the depot level. The potential savings from their repair could total $1.3 million.

DEPARTMENT OF DEFENSE - MILITARY

MAINTENANCE, REPAIR AND OVERHAUL

Significant Savings Possible Through More Efficient Depot Maintenance of Army Combat Vehicles (LCD-80-82, 8-7-80)

Departments of Defense and the Army

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)

For years, Congress has expressed concern about the low productivity level and increasing maintenance costs at Defense depots. During fiscal year 1979, the Army spent about $688 million on depot maintenance in the continental United States and in Europe, of which about $263 million was spent to overhaul and repair combat vehicles and associated components at three depots in the United States, and one in Mainz, West Germany.

Findings/Conclusions: It was found that productivity could be improved and maintenance costs could be reduced if the Army: (1) operated its three U.S. depots as effectively as the the one in Mainz; (2) overhauled vehicles only when needed based on mileage and vehicle condition; and (3) eliminated work at the depot level that could be accomplished at a lower level. Good estimating techniques, based on reliable work measurement data, were not used to identify and control labor requirements for combat vehicle overhauls and repairs. Instead, the depots used historical averages of prior work which perpetuate the mistakes and inefficiencies of prior estimates. The methods and standards program, which is the key to workloading and effective production control, lacked management emphasis, quality, and quantity. The labor and production reporting system did not contain reliable data for making decisions and analyzing variances between actual and expected results. Questionable rework and nonproductive time charges contributed to this lack of reliable data. Work methods emphasized overhaul rather than less costly repairs of major vehicle assemblies.

Recommendations: The Secretary of Defense should direct the Army to: (1) determine total combat vehicle maintenance requirements for Europe and the quantities to be satisfied by the Mainz Army Depot and other maintenance sources; (2) establish more realistic wartime maintenance workloads for combat vehicle depots in the United States; (3) determine contractor potential for doing more combat vehicle depot maintenance work so that the Army can effectively match requirements with available resources; (4) identify the extent of repair parts shortages and make sure that the impact of such shortages on depot maintenance capacities and capabilities is appropriately considered in mobilization planning; (5) discontinue the practice of selecting combat vehicles for overhaul on the basis of accumulated mileage; (6) periodically monitor and evaluate the progress made in implementing the reliability centered maintenance program for combat vehicles; (7) identify and assign work to the appropriate maintenance level so as to maintain expertise and capability at all maintenance levels; (8) estimate labor requirements on the basis of valid labor standards rather than on fixed prices or historical averages; (9) fully implement an effective work measurement system at U.S. depots; (10) require system discipline and integrity to overcome existing inadequacies and errors in the U.S. depots' and Mainz's present management information systems; (11) initiate a formal information exchange of work methods and practices between the U.S. depots and Mainz, and make the most cost effective practices the standards for all depots to follow; and (12) discontinue the practice of routinely overhauling vehicles and major assemblies at U.S. depots without prior inspection to determine if the condition of the vehicles or assemblies actually warrants such overhaul.

Agency Comments/Action

The Army generally concurred with all the findings and recommendations and initiated a series of actions to overcome reported deficiencies.

Appropriations

Operation and maintenance - Army

Appropriations Committee Issues

Army's future operations and maintenance budget requests should include information on actions taken to improve (1) the reliability of its workload forecasts, and (2) the productivity of the Army combat vehicle depots, especially the three in the continental United States.

DEPARTMENT OF DEFENSE - MILITARY

MAINTENANCE, REPAIR AND OVERHAUL

Improved Work Measurement Program Would Increase DOD Productivity (PLRD-81-20, 6-8-81)

Departments of Defense, the Army, the Navy, and the Air Force

Budget Function: National Defense: Defense-Related Activities (0054)
Legislative Authority: DOD Instruction 5010.34. A.F. Logistics Command Reg. 66-4.

GAO reviewed work measurement in the Department of Defense maintenance depots.

Findings/Conclusions: The Office of the Secretary of Defense (OSD) is the local focal point for developing systematic ways of applying work measurement and the associated policy guidance. Although OSD has recognized the importance of this role, it still needs a reporting system to monitor the services' progress in implementing work measurement. In recent years, the Air Force Logistics Command (AFLC) has been emphasizing the accuracy of its labor standards through a 2-year labor standards improvement program and a subsequent consultant evaluation. However, the emphasis on accuracy apparently has been at the expense of improving coverage. Other problems include recruiting and retaining planner/technicians and other duties limiting the amount of time planner/technicians can spend on work measurement. In addition, more specific guidance as to which workload to cover with standards and more control over local work measurement programs by the AFLC would improve program quality. Although the Army has corrected some deficiencies, it still has problems in work measurement area: (1) low coverage by engineered standards; (2) a 20-percent decline in staffing of the work measurement function; and (3) system integrity. A Navy instruction requires that 80 percent of naval air rework facilities' (NARF) workload be covered by engineered standards. However, this goal seems to be beyond the reach of NARF. Problems include: (1) a lack of accurate labor charges; (2) a lack of qualified personnel; and (3) low quality of the standards.

Recommendations: The Secretary of Defense should direct the Secretary of the Air Force to redefine the duties of the planner/technician so that more time can be spent on work measurement tasks. The Secretary of Defense should direct the Secretary of the Air Force to develop a reporting mechanism by which AFLC can monitor work measurement program results in the air logistics centers. The Army should increase its workload coverage with engineered standards and rely less on historical average for estimating labor requirements. The Secretary of Defense should become more involved in each service's work measurement program to provide timely advice and act as a conduit for information exchange among the services. The Army should place a high priority on carrying out its plans to improve the staffing of its work measurement functions. The Army should fully implement an effective work measurement system, including improving work methods, labor standards, and staffing and monitoring implementation. The Secretary of Defense should direct the Secretary of the Navy to emphasize to new NARF commanders the importance of the Navy's performance standards program and the need for the commanders to support it. The Secretary of Defense should direct the Secretary of the Air Force to provide sustained emphasis on improving all aspects of work measurement with particular focus on upgrading estimates to engineered standards and providing clear guidance for applying work measurement principles. The Secretary of Defense should direct the Secretary of the Air Force to require that Air Force Air Logistics Center commanders improve their work measurement systems by submitting engineered standards coverage goals that are closer to the 80-percent goal suggested by the consultant. The Secretary of Defense should direct the Secretary of the Air Force to develop and implement specific solutions for the Air Force's recruiting and retention problems at each air logistics center, such as special pay rates for affected groups, until the reality and value of pending blue-collar pay reform is known. The Secretary of Defense, to improve the quality of work measurement in Army maintenance depots, should direct the Secretary of the Army to act on the recommendations regarding work measurement GAO has made in the past and with which the Army has agreed. The Secretary of Defense should direct the Secretary of the Navy to require all NARF commanders to set goals for improving their work measurement programs, particularly regarding covering workload with engineered standards and maintaining the quality of these standards. The Secretary of Defense should direct the Secretary of the Navy to review relative staffing among support functions within each NARF so that resources can be redistributed to avoid losses in NARF effectiveness because of insufficient work measurement personnel. The Secretary of Defense should direct the Secretary of the Navy to more accurately communicate to shop labor and management the need for accurate labor-hour reporting so that the advantages of accurate work measurement data are more fully realized. The Secretary of Defense should require the services to report periodically on the status of their work measurement programs. Particularly, service reports should address progress toward achieving predetermined goals for workload coverage by engineered standards, trends in staffing the work measurement function, and work measurement contributions to increasing depot productivity.

Agency Comments/Action

The Department of Defense (DOD) generally agreed with most of the findings and recommendations. However, DOD took exception to the GAO recommendation that DOD should require periodic, detailed information from the services on the status of their work measurement programs. OSD felt the program's oversight would not be materially improved through greater OSD involvement in the services' detailed program management. OSD felt the expanded guidance they plan to issue, coupled with their continued monitoring of the services' plans and progress, will meet the objectives of the GAO recommendations.

Appropriations

Operation and maintenance - Air Force, Army, Navy

Appropriations Committee Issues

The Work Measurement Program has suffered from a lack of interest and strong oversight. If services are to implement effective productivity programs, OSD needs a stronger role in implementing and monitoring those programs.

DEPARTMENT OF DEFENSE - MILITARY

MILITARY MANPOWER

The 20-year Military Retirement System Needs Reform (FPCD-77-81, 3-13-78)

Departments of the Army, the Navy, and the Air Force

Budget Function: Veterans Benefits and Services: Income Security for Veterans (0701)
Legislative Authority: 10 U.S.C. 6330.

Members of the Armed Forces can retire at any age after 20 years of service. The Department of Defense (DOD) justifies this length of service as necessary to retain a young and vigorous force and attract and retain servicemen. DOD uses a competitive promotion system which precludes most military members from serving full careers and must, by law, retire officers who have been passed over for promotion or who reach a certain age. Since their career could end in the middle of their potential worklife, DOD believes military members need the assurance of early retirement benefits.

Findings/Conclusions: In fiscal year 1975, officers retired at an average age of 46 after about 24 years of service, and enlisted personnel retired at an average age of 41 after approximately 21 years of service. Most fiscal year 1975 retirees' career time was spent in occupations not demanding exceptional youth and vigor. In fact, 81 percent of the enlisted member retirees and 30 percent of the officers spent their entire careers in non-combat-related occupations. The 20-year retirement provision should be discontinued for many military personnel in occupations not demanding exceptional youth and vigor. Twenty- year retirement, in conjunction with present personnel management policies, is an inefficient means of attracting new members, causes the services to retain more members than are needed up to the 20-year point, provides too strong an incentive for experienced personnel to leave after serving 20 years, and makes it impossible for the vast majority of members to serve full careers.

Recommendations: Congress should: revise the military retirement system length-of-service criterion, based on the type of duty performed; revise the retired pay system to encourage appropriate career lengths, based on duties performed; and provide some form of vesting for members who do not complete full careers. Congress should charge DOD with the responsibility for determining what specific occupational skills require youth and vigor, a more cost-effective force profile that considers longer careers for skills not requiring youth and vigor, and a more efficient method of retaining required personnel. In computing retired pay, Congress should revise the military retirement system to eliminate the use of constructive service and rounding to the nearest year of service; rounding to the nearest month should be used.

Agency Comments/Action

Legislation to substantially revise the military retirement system was proposed by DOD but has not been considered.

Appropriations

Military personnel - Army, Navy, Air Force

Appropriations Committee Issues

The Committees should insure that the DOD proposal represents (1) an effective and economical retirement system that is fair to both the Government and the members, (2) a cost effective system to retain required personnel, and (3) a system that will insure more appropriate careers for military personnel.

DEPARTMENT OF DEFENSE - MILITARY

MILITARY MANPOWER

Observations on the Method of Annually Adjusting Military Pay
(FPCD-78-45, 6-2-78)

Departments of the Army, the Navy, and the Air Force

Budget Function: National Defense: Department of Defense - Military (except procurement & contracts) (0051)
Legislative Authority: Department of Defense Appropriation Authorization Act, 1977 (37 U.S.C. 1009). (P.L. 89-132; 79 Stat. 545; 79 Stat. 546; 37 U.S.C. 1008(b)). P.L. 93-419.

In 1967, the principle of providing automatic adjustments in military pay based on increases in Federal civilian salaries was established. Since that time, automatic increases in military pay have been indexed to the average percentage increase in General Schedule salaries.

Findings/Conclusions: In the military, the automatic adjustment mechanisms result in: understatement of regular military compensation costs in the Department of Defense (DOD) budget; increasing portions of regular military compensation taking the form of tax advantages such as housing, potentially further increasing the visibility of pay to military members; and increasing pay inequalities due to marital status. Portions of regular military compensation are not reflected in the DOD budget, and this absence impedes identification and evaluation of military compensation costs. Because the forms of military compensation are difficult to identify, members often undervalue their regular military compensation. Regular military salary, considered equivalent to civilian salaries, is greater for members with dependents than for single members of the same grade and length of service.

Recommendations: The House and Senate Armed Services Committees should initiate action to require that military personnel accounts in the DOD budget and individual service budgets reflect the Federal income tax advantage of regular military compensation. The military base pay and allowances system should be replaced by a salary system.

Appropriations

Military personnel - Army, Navy, Air Force

Appropriations Committee Issues

The question of properly recognizing the tax advantage as military compensation costs and the visibility of military compensation should continue to be of concern to the Committees.

DEPARTMENT OF DEFENSE - MILITARY

MILITARY MANPOWER

Need To Better Inform Military Personnel of Compensation Changes (FPCD-78-27, 7-12-78)

Departments of the Army, the Navy, and the Air Force

Budget Function: National Defense: Department of Defense - Military (except procurement & contracts) (0051)
Legislative Authority: Aviation Career Incentive Act of 1974 (P.L. 93-274). Rivers Amendment (P.L. 90-207). Dependents Medical Care Act of 1956 (P.L. 84-569). Military Medical Benefit Amendments of 1966 (P.L. 89-614). P.L. 93-277. P.L. 93-419. P.L. 94-212. P.L. 94-361. P.L. 94-502. 37 U.S.C.101.

Recent legislative changes to military compensation do not generally represent erosions of benefits or reductions in total military compensation. Changes to the military compensation system generally represent management actions to eliminate inefficient practices, institute management efficiencies, and provide for more effective use of resources.

Findings/Conclusions: Military personnel believe their compensation is being unjustifiably reduced, and they consistently underestimate their regular and total military compensation. Although the Department of Defense provides information to service members on benefit issues and changes to compensation elements, service members apparently do not rely as heavily on this information as on compensation items appearing in the news media.

Recommendations: The Secretary of Defense should direct that service leaders assume a more active role in correcting service members' misperceptions of compensation changes and develop more effective methods of communicating compensation changes by providing members with a periodic overview of their compensation package and by demonstrating how pay legislation, inflation, and other change factors affect pay. The Congress should initiate action to create a more visible and equitable military compensation system by requiring the executive branch to draft and submit proposals to convert the base pay and allowances system to a salary system.

Agency Comments/Action

In response to the report, DOD stated that it had not reached a decision on whether the base pay and allowances system should be changed to a salary system.

Appropriations

Military personnel - Army, Navy, Air Force

Appropriations Committee Issues

The Committees should require DOD to (1) justify why the inefficient and complex pay and allowance system needs to be continued, and (2) develop an information system to provide members an overview on the value of each member's compensation. The system is not only inefficient to administer, but is extremely costly.

DEPARTMENT OF DEFENSE - MILITARY

MILITARY MANPOWER

Fundamental Changes Needed To Improve the Independence and Efficiency of the Military Justice System (FPCD-78-16, 10-31-78)

Departments of Defense, the Army, the Navy, and the Air Force, and U.S. Marine Corps

Budget Function: National Defense: Defense-related Activities (0054)
Legislative Authority: Military Justice Act of 1968 (P.L. 90-632; 80 Stat. 1335). 10 U.S.C. 801. 64 Stat. 108. H.R. 866 (94th Cong.). H.R. 3999 (95th Cong.). H.R. 12613 (95th Cong.). DOD Directive 4000.19. Army Regulation 27-10. United States v. Newcomb, 5 M.J. 4 (1978). United States v. Hedges, 11 USCMA 642, 29 CMR 458 (1960). United States v. McLaughlin, 18 USCMA 61, 39 CMR 61 (1968). United States v. Wright, 17 USCMA 110, 37 CMR 374 (1967). United States v. Broynx, 45 CMR 911 (1972) United States v. Carpenter, 1 MJ 384 (CMA 1976). United States v. Ledbetter, 2 JM 37 (CMA 1976). United States v. Willis, 3 MJ 94 (CMA 1977). Parker, Warden v. Levy, 417 U.S. 733 (1974).

The military justice system encompasses the processes for imposing punishment on military personnel and for challenging the punishment imposed. The system operates separately from the civilian justice system under constitutional and legislative authority. The military justice system has been criticized as being inequitable because it deprives military service members of many due processes of law.

Findings/Conclusions: Many problems were found in defense and trial counsel organizations in the four military services that lead to perceptions that military justice is uneven, unfair, and of low priority. In the Army and Marine Corps, defense counsels work directly for convening authorities who are also commanding officers. In the Army, Navy, and Marine Corps, inadequate staffing criteria and personnel assignment practices have resulted in significant differences in the number of cases per counsel. Procedures to assign counsel based on experience, complexity, and current workload are the exception rather than the rule. The number of support staff is generally inadequate, and procedures for selection of witnesses generally favor the prosecution. Counsel effectiveness is frequently hampered by inadequate facilities, equipment, and courtrooms and by a lack of privacy. Under current organizational modes, the costs of military justice are unknown. There should be a single defense and trial counsel organization within the Department of Defense.

Recommendations: The Secretary of Defense should: consolidate defense and trial counsel organizations at single bases and proximate bases where feasible and cost-effective, establish budgeting processes allowing for the development of total costs of military justice and for comparison of costs between services, and study and report on methods to enhance the independence of counsel. He should also: direct the services to establish uniform criteria and methods for identifying numbers of counsel and support staff needed and make assignments consistent with the counsel's experience, workload, and case complexity; propose changes to the Manual for Courts Martial; and direct the services to establish systems to fund logistical support to counsel. The Congress should revise the Uniform Code of Military Justice to remove convening authorities' responsibility for administering and funding the justice system and earmark specific amounts in defense appropriations for the operation and maintenance of military justice facilities and equipment.

Agency Comments/Action

DOD stated that all but one recommendation have merit and that it is considering them. DOD did not concur in the recommendation to study and report on the possibility of establishing a single DOD defense and trial counsel organization. The Army is implementing an independent defense counsel organization.

Appropriations

Operation and maintenance - Army, Navy, Air Force, Marine Corps
Pay and allowances - Army, Navy, Air Force, Marine Corps

Appropriations Committee Issues

The Committees should earmark specific amounts in DOD organizations for the operation and maintenance of military justice facilities and equipment.

DEPARTMENT OF DEFENSE - MILITARY

MILITARY MANPOWER

The Federal Government's Severance Pay Programs Need Reform (FPCD-78-68, 12-7-78)

Departments of the Army, the Air Force, and the Navy

Budget Function: General Government: Central Personnel Management (0805)
Legislative Authority: 5 U.S.C. 5595. 42 U.S.C. 501. 29 U.S.C. 49. Unemployment Compensation Amendments of 1976. P.L. 94-556. 26 U.S.C. 3304. 10 U.S.C. 687. 10 U.S.C. 679. 10 U.S.C. 680. 5 C.F.R. 550.

Severance pay for Federal personnel was legislated to provide involuntarily terminated employees with recognition for their service, compensation for the lost job and its consequences, and help in the transition to a new career. The Federal Government's severance pay programs are divided into two major categories: for Federal civilian employees and for uniformed services personnel.

Findings/Conclusions: The armed services nondisability severance program is sometimes viewed as a substitute for vesting for officers who are separated with less than 20 years of service. There are inequities in severance pay entitlements of military and civilian personnel and in benefits available to members of the uniformed services. For example: military nondisability severance pay is available only to officers, not enlisted members; Army and Air Force officers separated for substandard performance sometimes receive more severance pay than officers separated for nonpromotion; basic pay used in calculating military severance pay does not fully reflect a member's compensation; most military officers are limited to a maximum severance pay of $15,000, unlike civilians who are not limited to a fixed dollar amount; military officers can receive severance pay if separated for unsatisfactory performance while civilian employees are eligible only if they are not at fault; and payments for civilian employees cease if they are rehired while this limitation does not apply to military members. Legislation enacted in 1976 could affect employees' entitlement to the concurrent receipt of severance pay and unemployment insurance.

Recommendations: Congress should: revise the uniformed services' severance pay programs so that separation pay will be calculated and applied uniformly for all services; provide a severance pay program for enlisted personnel; base the military severance pay formula on the average regular military compensation of the grade of the separated member and bring eligibility criteria in line with the civilian severance program; eliminate the practice of providing severance pay to members separated for unsatisfactory performance; and provide uniform severance pay limitations for all Federal personnel reemployed by the Government. It should also clarify the Unemployment Compensation Amendments of 1976 as they relate to the concurrent receipt of severance pay and unemployment insurance.

Agency Comments/Action

The Civil Service Commission (now the Office of Personnel Management) and the Department of Labor generally agreed with the recommendations that affected their areas of responsibilities. The Department of Defense has substituted legislation that would change several aspects of the military severance pay program.

Appropriations

Military personnel - Army, Air Force, Navy

Appropriations Committee Issues

Military compensation/retirement costs could be reduced by more effectively using severance/readjustment pays in attaining the proper mix of military personnel.

DEPARTMENT OF DEFENSE - MILITARY

MILITARY MANPOWER

The Department of Defense Should Adopt New Clothing Allowances (FPCD-79-42, 4-20-79)

Departments of Defense, the Army, the Air Force, and the Navy

Budget Function: National Defense: Military Pay (0060)
Legislative Authority: Career Compensation Act of 1949 (P.L. 81-351). Executive Order 10113.

The current method of paying the clothing maintenance allowance to enlisted military personnel provides reimbursement before clothing expenses are actually incurred, and for clothing replacement that will not occur under normal conditions. An alternative would be to provide an annual allowance for each year of service equal to the cost of all clothing items requiring replacement during that year, based on reasonable estimates of clothing wear-out rates under normal conditions.

Findings/Conclusions: The alternative would reduce clothing allowance expenditures by approximately $10 million in the first year and could be implemented with minimal cost and effort. Career enlisted members would benefit because the allowance would more closely reflect replacement costs. Special allowances for Navy chief petty officers have not been fully substantiated and appear to be significantly overstated.

Recommendations: The suggested alternative, or another acceptable method, should be adopted by the Department of Defense (DOD). The Secretary of Defense should revise the special clothing allowances for chief petty officers and the DOD clothing regulation to indicate that the allowance is for replacement only. The Senate Appropriations Committee should adjust the DOD appropriations request to reflect the savings that would occur under the alternative method, and should require the Navy to justify special clothing allowance expenditures for chief petty officers.

Agency Comments/Action

DOD opposed the recommendation on the grounds that useful life rates for clothing are only rough estimates, and that therefore a more precise allowance based on the estimated time of replacement of a clothing item is not reasonable. DOD did agree to review the special allowance for Navy chief petty officers.

Appropriations

Military personnel - Army, Navy, Air Force

Appropriations Committee Issues

Military uniform allowances include payments for items that will never be replaced.

DEPARTMENT OF DEFENSE - MILITARY

MILITARY MANPOWER

The Congress Should Act To Establish Military Compensation Principles (FPCD-79-11, 5-9-79)

Departments of Defense, the Army, the Air Force, and the Navy

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)
Legislative Authority: 37 U.S.C. 203. P.L. 89-132. P.L. 90-207. 37 U.S.C. 1008(b). 5 U.S.C. 5301.

The military compensation system costs about $40 billion a year. No overall guiding policy or principle for compensating military personnel has been established. The private sector is the standard for setting and adjusting Federal civilian pay. In order to attract, retain, and motivate the quality and quantity of military members necessary to maintain the desired level of national security at a minimum cost to the Government, a decision must be reached on the method of implementation for military pay principles. Two alternative approaches have been suggested: comparability and competitiveness. Comparability approaches use wage surveys of other workers as a guide to setting and adjusting pay based on age-earnings profiles and job difficulty. Competitive approaches are based on the principle that compensation should be adequate to attract and retain the desired quantity and quality of personnel, but should not be more than necessary for this purpose.

Findings/Conclusions: Comparability approaches provide stability and security to service members, but lack flexibility to adjust to changing manpower needs. Competitive approaches provide the flexibility necessary to adjust compensation to changing military manpower needs; however, they lack a clearly defined level of stability to assure members that their pay will remain roughly comparable to pay for Federal civilians and private sector employees. A combination of the best qualities of both comparability and competitiveness may be necessary to satisfy the need for stability and flexibility in the military compensation system. The Department of Defense, the services, and the Office of Management and Budget are subjected to competing pressures which make any future agreement on military pay principles unlikely. A permanent, independent compensation board would be better able to reach an agreement on military pay principles.

Recommendations: Congress should establish a permanent independent military compensation board and direct the board to: evaluate the alternatives, and recommend in legislation to Congress which military pay principles should be established; see that pay principles are appropriately implemented; and continuously monitor and make recommendations for changing the military compensation system consistent with established principles.

Agency Comments/Action

DOD stated that creation of an independent military compensation board would represent another "headless fourth branch" of Government, accountable neither to the Executive nor Legislative branches, but exercising executive functions over the procurement and maintenance of DOD manpower. Also, DOD stated that it has long accepted a combination of comparability and competitiveness as an appropriate principle to guide in setting levels of military compensation.

Appropriations

Military personnel - Army, Air Force, Navy

Appropriations Committee Issues

Failure to establish and maintain appropriate military pay principles could unnecessarily increase DOD personnel costs because it will not be known whether military pay levels are too high or too low.

DEPARTMENT OF DEFENSE - MILITARY

MILITARY MANPOWER

Actions Needed To Improve Military Chain of Command and Inspectors General Grievance Procedures (FPCD-79-23, 6-11-79)

Department of Defense

Budget Function: General Government: Central Personnel Management (0805)

Surveys have shown that many members of the U.S. military services do not have confidence that the grievance procedures available to them are effective in resolving their problems.

Findings/Conclusions: The services believe that resolution of members' problems is a command responsibility and should be accomplished at the lowest possible level in the chain of command. The two principal systems available to service members, chain of command and Inspectors General (IG), fall short of meeting the criteria which personnel experts consider necessary for a workable grievance system. The Army and Air Force permit their members to initiate grievances with the IG without first attempting resolution through the chain of command. This often results in a duplication of effort, delays in resolution, and preclusion of supervisors from fulfilling a basic command responsibility. The Navy and Marine Corps do not provide such a degree of access to the IG; and, as a result, grievances can be buried in an ineffective command chain or members may feel compelled to go outside the services to government or congressional officials. The independence of the IG is questionable since they are responsible to and evaluated by the commanders on whose staffs they serve. Data on grievances are either nonexistent, incomplete, or inaccurate.

Recommendations: The Secretary of Defense should direct the services to adopt a grievance system composed of the chain of command and IG, with particular emphasis on using the strength of the command chain as the primary source for initial problem resolution, and using the IG only for third-party review of disputed decisions or chain of command inaction. The IG, or an impartial adjudicator if necessary, should be sufficiently isolated from command control so that decisions will be creditable. Time limits should be established for each stage of processing and appeals. Data on formal cases processed and their outcomes should be developed and evaluated, along with periodic organizational performance assessments and members' attitude surveys. Members' awareness and confidence in the grievance system must be increased through well-documented and publicized procedures and reports of system success.

Agency Comments/Action

DOD generally agreed with most of the GAO recommendations and stated that the issues raised in the report merit attention at all levels within DOD.

Appropriations

Operation and maintenance - Department of Defense

Appropriations Committee Issues

DOD needs to assure a fair and equitable grievance system for military service members.

DEPARTMENT OF DEFENSE - MILITARY

MILITARY MANPOWER

Military Personnel Cuts Have Not Impaired Most Morale, Welfare, and Recreation Activities (FPCD-79-54, 7-11-79)

Departments of the Army, the Air Force, and the Navy

Budget Function: National Defense: Defense-related Activities (0054)
Legislative Authority: Defense Appropriations Act, 1978. Defense Appropriations Act, 1979. Civil Service Reform Act of 1978. P.L. 95-454. B-146890 (1974).

Morale, welfare, and recreation (MWR) activities in the military services receive subsidies of more than $600 million in appropriated funds annually. Military resale activities such as exchanges, clubs, sports, and hobby shops take in more than $5 billion each year. In fiscal year 1978 and again in 1979, Congress limited the number of military personnel assigned to these programs. The 1978 ceiling was set at 10,201 (an expected reduction of 1,750 military slots); the 1979 limit was 9,901. The ceilings were intended to reduce the appropriated funds supporting these activities and make more military personnel available for combat-related assignments. The services did not have to make any reductions to meet the 1978 ceiling of 10,201 because at the beginning of the year only 10,017 military personnel were assigned. However, the services did reassign 923 military personnel during the year.

Findings/Conclusions: On the basis of a survey of 519 military installations, GAO concluded that fiscal year 1978 reductions had little impact on MWR activities. The military services could save $5,700 annually for each civilian appropriated-fund employee substituted for a service member assigned to MWR activities. Substituting civilians for all military positions would save up to $57 million annually. While most of the 9,901 military positions can and should be filled by civilians, some factors could limit the extent of substitution, such as: congressional limits on Federal civilian employment; labor agreements with other countries; rotation base requirements; and assignments in deployable combat and combat support units.

Recommendations: The Secretary of Defense should direct the services to: identify those MWR activity positions which must be reserved for military personnel; convert the remaining positions to appropriated-fund civilian or, where possible, to nonappropriated-fund civilian; and reduce military staffing in Navy and Marine Corps exchanges to the levels authorized in the other services.

Appropriations

Military personnel - Army, Navy, Air Force

Appropriations Committee Issues

Military positions in MWR activities should be converted to civilian, and military strengths reduced accordingly.

DEPARTMENT OF DEFENSE - MILITARY

MILITARY MANPOWER

Noncontributory Social Security Wage Credits for Military Service Should Be Eliminated (FPCD-79-57, 8-8-79)

Departments of Defense, the Army, the Navy, and the Air Force, and Department of Health, Education, and Welfare

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)
Legislative Authority: 42 U.S.C. 429.

Military service was brought under contributing Social Security coverage in 1957. Both military members and the Department of Defense (DOD), as their employer, pay Social Security taxes on basic pay.

Findings/Conclusions: Members whose basic pay is less than the Social Security taxable earnings ceiling are credited with additional covered earnings of up to $1,200 a year in excess of basic pay. Neither the member nor DOD pays taxes on these credits. The Social Security trust funds are reimbursed annually from the general fund of the Treasury for additional costs attributable to the noncontributory credits. GAO reviewed the rationale for providing noncontributory credits for service performed after 1956, examined their effects on current benefits, and estimated unforeseen costs that will result. The noncontributory Social Security wage credits were primarily intended to provide adequate disability and survivor protection for first-term military members. GAO estimates of disability benefits provided to first-term personnel show that the combination of benefits available from the Social Security system, the Veterans Administration, and DOD generally equals or exceeds pay and allowances received while on active duty, even if Social Security benefits are based on current contributory coverage alone. The additional survivor protection provided by the credits is negligible. In addition, the pay and allowances replaced by the combination of benefits are considerably higher than the depressed wages of the draft era existing when the credits were authorized. In view of these considerations, GAO believes that the noncontributory credits are unnecessary. While it may be argued that the provision of noncontributory credits recognizes the Nation's special obligation to members who are disabled or die in the line of duty, GAO believes that the provision of additional "noncontributory" benefits from the Veterans Administration acknowledges that obligation. The noncontributory credits will also provide additional Social Security old-age benefits for military retirees, a result neither foreseen nor intended by the Congress when it authorized the credits. GAO estimates that the cost (in terms of Social Security outlays) of the Social Security old-age benefits attributable to the noncontributory credits will exceed $100 million annually as retirees who entered the force after 1956 become eligible for Social Security old-age benefits. Widespread criticism of the generosity of retirement benefits attributable to military service already exists because of the additive nature of military retired pay and benefits arising from contributory Social Security coverage. GAO sees no justification for providing additional old-age benefits resulting from the noncontributory wage credits.

Recommendations: Congress should terminate noncontributory Social Security wage credits for future military service. This result may be achieved by amending legislation to limit noncontributory credits to service performed before 1980.

Appropriations

Military personnel - Army, Air Force, Navy
Department of Health, Education, and Welfare, Social Security Administration

Appropriations Committee Issues

The Committees should continue to work towards developing, integrating, and coordinating benefits available from all Federal retirement systems which could reduce Federal expenditures by eliminating the overlap and sometimes duplicate benefit payments.

DEPARTMENT OF DEFENSE - MILITARY

MILITARY MANPOWER

Some Criminal Offenses Committed Overseas by DOD Civilians Are Not Being Prosecuted: Legislation Is Needed (FPCD-79-45, 9-11-79)

Departments of Defense, the Air Force, the Navy, and the Army, and U.S. Marine Corps

Budget Function: National Defense: Defense-related Activities (0054)
Legislative Authority: Reid v. Covert, 354 U.S. 1 (1960). Kinsella v. Singleton, 361 U.S. 234 (1960). Grisham v. Hagan, 361 United States 278 (1960). United States v. Catlow, 23 C.M.A. 142, 48 C.M.R. 758. United States v. Russo, 23 C.M.A. 511. 50 C.M.R. 630. 18 U.S.C. 7.

International law recognizes that a host country has criminal jurisdiction over U.S. military personnel stationed in that country. Negotiated agreements allowing the United States to exercise jurisdiction over service members stationed overseas give it criminal jurisdiction over many offenses committed by service members that otherwise would have been prosecuted by the foreign country or not prosecuted at all. The United States has virtually no criminal jurisdiction over the 343,000 civilian personnel and dependents accompanying the armed forces overseas. These civilians are subject to foreign criminal jurisdiction which is not always exercised.

Findings/Conclusions: GAO analyses indicate that the actions taken by the Department of Defense (DOD) in the military cases may be inadequate. Military officials believe that the civilians' knowledge that the United States does not have criminal jurisdiction is an encouragement to offenders. Many military commanders dispose of these offenses through administrative sanctions which are inadequate in terms of punishment and deterrency and safeguarding an individual's rights. The strongest administrative sanctions are often directed against the military member/sponsor, and not the civilian offender.

Recommendations: The Secretary of DOD and the Attorney General should prepare provisions for implementing the extraterritorial extension of laws and report their findings to the Congress by September 1980. They should consider provisions for: apprehending, restraining, and delivering these civilians to trial; bringing offenders back to the United States for trial; and establishing courts and/or magistrates overseas. The Secretary of DOD should direct the services to provide more information to the Congress about the number, type, and disposition of criminal offenses committed by civilians accompanying the military forces overseas. Further, the Secretary of DOD should improve the present reporting system to accumulate and track information on the disposition of all overseas cases involving service members released to U.S. authorities and include it in the annual report to the Senate Committee on Armed Services. Legislation should be enacted to extend criminal jurisdiction over U.S. citizen civilians accompanying the military forces overseas. The extraterritorial jurisdiction should extend to petty as well as serious offenses, because the less serious offenses appear to be the greatest disciplinary problem.

Agency Comments/Action

DOD recognized the need to account for cases released to U.S. military authorities for disposition, but it stated that nothing has been brought to its attention to indicate that it is not already meeting requests for information by host countries.

Appropriations

Operation and maintenance - Army, Navy, Air Force, Marine Corps

MILITARY MANPOWER

Payment of Basic Allowance for Subsistence to All Enlisted Members at Three Military Installations Should Be Discontinued

(FPCD-80-18, 12-5-79)

Departments of Defense, the Air Force, and the Navy

Budget Function: National Defense: Military Pay (0060)
Legislative Authority: 37 U.S.C. 402.

The administration of basic allowance for subsistence (BAS) by the Department of Defense (DOD) was reviewed. Recently, actions were taken by DOD and the military services to improve food services and the administration of BAS. These actions, stemming from recent studies and tests, gave rise to concern over the continuing BAS expenses incurred at three military installations after the tests were completed (Shaw Air Force Base, South Carolina, Loring Air Force Base, Maine, and Alameda Naval Air Station, California). Normally, enlisted military members receive BAS only when they do not eat in Government dining facilities for certain authorized reasons. At the three test installations, all enlisted personnel were paid BAS and required to purchase their meals. Dining facilities were converted to a-la-carte style with individual item pricing.

Findings/Conclusions: Test results showed that various cost and management benefits resulted from the a-la-carte and all-BAS concepts: the need for meal cards and related control and security were eliminated; food economy was encouraged; feeding costs were significantly reduced; and enlisted personnel showed a preference for both the a-la-carte concept and the combination all BAS/a-la-carte concept. Additional costs were incurred because the enlisted personnel did not always eat in the dining hall. It was the Air Force position that the payment of all cash BAS to enlisted personnel was the ultimate goal for a majority of the airmen. Defense officials concluded that the increased costs prohibited the adoption of the all-BAS concept on a DOD-wide basis, but that the a-la-carte concept provided many benefits without a large increase in expenditures. It was recommended that all services adopt the a-la-carte system, where feasible. GAO believed the a-la-carte concept appeared to be a reasonable alternative to the existing system and could improve food service operations, reduce food costs, and improve morale. However, the practice of paying cash BAS to all enlisted personnel at the three former test sites should be discontinued because the benefits derived cannot be quantified in relation to the substantial increase in annual cost, and it is not fair and equitable to other members.

Recommendations: The Air Force should reassess its goal if the increased costs prohibit adoption of the all-BAS concept on a DOD-wide basis. The Secretary of Defense should direct the Departments of the Air Force and Navy to provide him with their proposals for discontinuing BAS payments to enlisted personnel, who would otherwise receive subsistence-in-kind, at the three installations involved.

Agency Comments/Action

DOD concurred with the recommendation. DOD instructed the Navy and Air Force to discontinue blanket BAS payments at the three cited installations.

Appropriations

Military personnel - Navy, Air Force

Appropriations Committee Issues

The Committees should determine if the Navy and Air Force are following new instructions for paying cash BAS to enlisted members at the three installations.

DEPARTMENT OF DEFENSE - MILITARY

MILITARY MANPOWER

Military Overseas Housing Allowances Should Be More Realistic (FPCD-80-33, 3-5-80)

Departments of Defense, and the Army, the Navy, and the Air Force

Budget Function: National Defense: Military Pay (0060)
Legislative Authority: P.L. 91-486. 37 U.S.C. 405.

In 1970, Congress amended authorizing legislation to permit the station housing allowance to be set at the difference between basic allowance for quarters (BAQ) and overseas housing costs. The following year Congress also set BAQ at amounts that could be reasonably related to housing costs in the United States. Because of the large increased costs since the authorizing legislation was passed, a review of military housing allowances overseas was undertaken. The review focused on: (1) determining how BAQ rates have been affected by adjustments to military compensation since 1971; (2) reviewing the legislative history and regulations pertaining to station housing allowances; (3) identifying and comparing several indicators of housing costs in the United States with BAQ; (4) reviewing the detailed Per Diem, Travel, and Transportation Allowance Committee's calculation of station housing allowances; (5) evaluating a Committee proposal to revise station housing allowances, and (6) discussing these matters with knowledgeable Department officials.

Findings/Conclusions: BAQ is no longer representative of housing costs in the continental United States, and its use significantly increases station housing allowances by overcompensating members for extra housing costs. At many locations where the allowance is paid, housing costs are less than what military personnel experience in the United States. Payment of the allowance under these circumstances creates perceived windfalls for persons transferring to station allowance localities and penalties for those leaving the allowance areas. Thus, it is an unwarranted Government and taxpayers' expense. Presently, there are several sources of information on housing costs in the United States which could be used as a reasonable basis for computing the extra costs of overseas housing. Use of these standards could result in savings of about $50 million to nearly $150 million annually. Savings could be offset by a revised and more equitable method of computing the allowance. The proposed rent-plus method offers several advantages over the current procedures. It would reduce errors and inconsistencies in processing data and do away with a large and time-consuming questionnaire system. More importantly, it would remedy an inequity inherent in the current calculation procedures whereby junior officers and junior enlisted personnel are penalized relative to senior personnel. Because improvement to the overall system is being considered, now is the appropriate time to also adopt a new standard of housing cost in lieu of BAQ.

Recommendations: The Secretary of Defense should adopt the rent-plus method for determining station housing allowances and under the rent-plus method, replace BAQ as a standard for measuring excess housing costs with one that is more realistic.

Agency Comments/Action

DOD agreed to examine the feasibility of several rent-plus methods, but did not agree to replace BAQ with a different standard for measuring excess housing costs. Although agreeing that BAQ is below housing costs in the States, DOD felt such a change would be for the sake of Government cost reduction only, and not in the interest of its service members.

Appropriations

Military personnel - Army, Air Force, Navy

Appropriations Committee Issues

Military overseas housing allowance payments exceed the costs that members incur.

DEPARTMENT OF DEFENSE - MILITARY

MILITARY MANPOWER

Minority and Female Distribution Patterns in the Military Services (FPCD-81-6, 12-18-80)

Department of Defense

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)

The increasing debate about the viability of the All-Volunteer Force has raised many questions concerning the number and distribution of minorities and females in the Armed Forces. Very little information on the distribution of minorities and females has been officially and systematically provided to Congress. GAO conducted a study to determine whether more useful information on historic trends, current situations, and future projections could be provided from within the services and the Department of Defense (DOD), and whether they have the capability to project minority and female representation for use in formulating manpower policies.

Findings/Conclusions: GAO found that significant changes took place in both the number and distribution of minorities and females in the military forces between 1971 and 1979. Total minority and female representation in each service increased, while the active force size was reduced from 2.7 to 2 million members. The increases were more heavily concentrated in the enlisted force. This caused the proportion of minority enlisted personnel to be significantly higher than the proportion of the officer force, and the gap has grown wider each year since 1971. Several DOD publications have addressed minorities and females in the armed forces; however, none have extensively reported on their distribution. GAO found that computer models exist which could be used to satisfactorily estimate future distribution patterns. The models would, of necessity, employ variables to account for expected changes in such factors as accessions, attrition, length of tours, promotions, and duty assignments. In reviewing the DOD manpower requirements report for fiscal year 1980, GAO noted that there is a chapter on women in the military. It contains estimates on an aggregate basis by service through 1984, but not by rank or occupational groupings. Also, it does not project distribution patterns for minority officers and enlisted personnel.

Recommendations: The Secretary of Defense should provide Congress, in the annual manpower requirements report, (1) historical data on the distribution (grade, rank, occupational speciality) of minorities and females; and (2) future projections for the distribution of minorities and females along with the methodology and models used, variables considered, and any assumptions made.

Agency Comments/Action

DOD did not agree with the recommendation. It stated that it is vitally concerned with the quality of the All-Volunteer Force and pledges to keep Congress fully informed. DOD categorically rejected any notion of a relationship between combat effectiveness and minority content.

Appropriations

Military personnel - Army, Navy, Air Force

DEPARTMENT OF DEFENSE - MILITARY

MILITARY MANPOWER

Manpower Effectiveness of the All-Volunteer Force (FPCD-81-38, 7-15-81)

Department of Defense

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)

An assessment was made to determine whether the problems and recommendations cited in a previous classified report on the manpower effectiveness of the All Volunteer Forces (AVF) were still valid. Three main objectives in preparing the assessment were to: (1) determine if actions had been taken to improve previously reported situations; (2) obtain updated information on issues which could be incorporated in an unclassified report; and (3) make the analysis available so as to add to public debate on this subject. **Findings/Conclusions:** GAO found that, since its classified report was issued, the executive branch had taken some actions to improve the manpower mobilization system, including a new system for computing manpower requirements, but that a shortage of people could severely hamper each unit's ability to perform its wartime mission. Further, there are still many unknowns on the use of (1) pretrained individuals before and after mobilization, and (2) the number of reservists who would fail to report or report late if recalled. The Office of the Secretary of Defense has directed the services to use an expected yield goal of 90 percent for the individual ready reservists for planning purposes; however, the basis for their goal has not been systematically established. Also, it appears that the Army would have to degrade the quality of training after mobilization because of a shortage of training companies, trainers, training equipment, and training supplies. **Recommendations:** Congress should reexamine the Nation's Total Force policy and the staffing of the force with all volunteers. It should also decide whether the Nation's military commitments should be lessened. Once this is decided, Congress should reevaluate the roles of the Active, Guard, Reserve, and/or pretrained individuals to meet the Total Force commitments and determine the costs of implementing the recommendations. The Secretary of Defense should: (1) define data used in the Wartime Manpower Program system and thoroughly explain the system's limitations when reporting to Congress; and (2) limit the Department of Defense's estimates of usable numbers of pretrained individuals to those that have been located.

Agency Comments/Action

The Department of Defense generally agrees with the report. Significant improvements have been made in the management of the All Volunteer Force and GAO is successfully monitoring all elements of that type except for the Army Selected Reserve and the IRR.

Appropriations

Military personnel - Army, Navy, Air Force

DEPARTMENT OF DEFENSE - MILITARY

MILITARY MANPOWER

Recruiting Malpractice: Extent, Causes, and Potentials for Improvement (FPCD-81-34, 7-20-81)

Departments of Defense and the Air Force

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)

A survey was conducted of the armed forces recruiting personnel in all services, including active, National Guard, and Reserve. The results indicate the perceptions of recruiters, noncommissioned officer supervisors, and commanding officers on: the extent of malpractice within the respective service recruiting programs; possible causes for these actions; and probable corrective actions.

Findings/Conclusions: On the basis of the survey, malpractice was found to be a continuing problem in every service component except the Air National Guard. The types of problems and their extent varied by service component, but there were some predominant trends. Most respondents believed that the major reason for malpractice was the goals or quotas that recruiters were required to meet. The desire to help applicants was the next most frequent reason given. The respondents were asked to evaluate the likely success of specific corrective actions. The most frequently endorsed corrective action was reducing or eliminating unnecessary recruiter administrative and processing responsibilities. The written comments of recruiting personnel concerned such things as: (1) the need to return to a draft, (2) the impact of pressure to meet quotas, (3) a questioning of the need for various enlistment standards and requirements, and (4) the negative effect of recruiting duty on a recruiter's financial status and family life.

Recommendations: The Secretary of Defense should use the survey results in making future oversight reviews. The Secretary of Defense should use the results of GAO work to assess actions the services have taken to correct recruiting malpractice. The Secretary of Defense should direct the services to periodically measure, on an anonymous basis, the incidents and causes of recruiting malpractice, using the current GAO data base as a baseline.

Agency Comments/Action

The agency had not responded as of September 30, 1981.

Appropriations

Military personnel - Army, Navy, Air Force

DEPARTMENT OF DEFENSE - MILITARY

MILITARY MANPOWER

Millions Written Off in Former Service Members' Debts--Future Losses Can Be Cut (AFMD-81-64, 7-28-81)

Department of Defense

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)

During fiscal 1977 to 1979, $67 million owed by former service members was written off by the military services as bad debts, while only 13 percent of the total owed was collected. The collections made by the services were barely more than the costs incurred for processing and collecting the debts.

Findings/Conclusions: The Department of Defense can substantially reduce its annual bad debt losses by making sure that service members' debts are offset against amounts due them at the time they separate from the service, acting more quickly to initiate collection of those debts remaining after separation, and using effective, businesslike collection techniques. GAO found that, when service members separated from the military, disbursing offices frequently did not compute the separating member's final pay in accordance with Defense regulations. Statistics showed that millions of dollars of overpayments were made by disbursing offices when members separated. Defense needs to strengthen controls and provide enough time to ensure that pay records are complete so that debts can be identified and offset against separation pay. Also, GAO believes that disbursing offices and their commanders need to be informed of separation disbursement errors so that corrective action will be taken. Millions of dollars in debts were not being collected because of lengthy delays in initiating collection action on the part of the services. Having all military finance offices formally notify members of their debts upon separation would help the offices initiate collection actions more promptly. Finally, GAO believes that the military services must become more effective and businesslike in their collection actions through increased contact with debtors and the charging of interest on debts not payed promptly.

Recommendations: The Secretary of Defense should require the military services to: (1) have disbursing offices issue collection letters to indebted members at the time they separate; and (2) streamline procedures at the centers so that debts not identified by disbursing offices can be determined and collection actions can be quickly initiated. These actions should include expediting accumulation of documentation needed to review the separation cases, and processing debt cases faster through elimination of duplicate reviews. The Secretary of Defense should have the Army ensure that collection letters initiated by disbursing offices are properly controlled by the center so that followup action can be taken as necessary. The Secretary of Defense should require the military services to: (1) arrange for personal interviews with selected debtors where feasible and make telephone contact with debtors when possible; and (2) charge interest on debts that are not paid promptly. The Secretary of Defense should require the military services to: (1) designate an official at each military personnel separation point who is responsible for certifying on separation processing checklists that a reasonable attempt was made to ensure that all documentation and entries affecting debts and separation pay are included in the separating members' pay records; (2) provide sufficient time to disbursing offices to identify debts and correctly calculate separation pay (a minimum standard time for effectively performing this task should be established); (3) issue instructions to disbursing offices emphasizing the need for correct computation of separation payments and identification of all debts; (4) inform disbursing offices and their commanders of errors made in computing and processing separation payments so corrective action can be taken; and (5) review training programs for disbursing office personnel to ensure that personnel are adequately trained for computing and processing final separation payments.

Agency Comments/Action

Defense concurred with all of the recommendations except for the appointment of an official to certify the separation checklists. Some initiatives have been to develop: (1) uniform definitions and procedures for identifying, recording, aging, reporting, and writing off receivables; (2) points of diminishing return criteria; and (3) procedures for charging interest, using collection agencies, and reporting delinquents to credit bureaus.

Appropriations

Military personnel - Army, Navy, Air Force

Appropriations Committee Issues

A significant reduction in outstanding debts and bad debts written off could be realized by initiating actions to preclude overpayments to separating members. Congress should make sure that Defense takes action to preclude overpayments.

DEPARTMENT OF DEFENSE - MILITARY

MISSION BUDGETING

Opportunities To Streamline the Air Force Headquarters Structure in the Pacific (FPCD-79-27, 2-8-79)

Department of the Air Force

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)

In 1974, following House Appropriations Committee recommendations to reduce the Air Force command structure in the Pacific, the Secretary of Defense announced that Headquarters, Pacific Air Forces, would be disestablished and other reductions would be made in Hawaii. The Air Force estimated that this decision would save $34 million annually plus one-time cost savings of $32 million.

Findings/Conclusions: Although some reductions were made, the Air Force did not disestablish the Headquarters. Opportunities exist for the Air Force to further reduce its management headquarters and related staffs in the Pacific. These reductions would achieve manpower economies consistent with a reduced force level and streamline the Air Force command and control structure in the Pacific.

Recommendations: The House Appropriations Committee should explore with the Secretary of Defense ways to achieve savings discussed in this report. The Air Force should: (1) eliminate its headquarters in Japan and the Philippines; (2) reduce the staff at Headquarters, Pacific Air Forces; and (3) consolidate, cut back, and/or transfer their functions and responsibilities to other commands as originally envisioned.

Agency Actions/Comment

Defense disagreed with the recommendations.

Appropriations

Military personnel - Air Force
Operation and maintenance - Air Force

Appropriations Committee Issues

Agency workforce planning should identify the numbers of employees needed to effectively and efficiently accomplish the Government's essential work.

MISSION BUDGETING

The Congress Should Require Better Justifications of Aircraft for Noncombat Missions (LCD-80-83, 7-22-80)

Departments of Defense, the Navy, and the Air Force, and Defense Audit Service

Budget Function: National Defense: Department of Defense - Procurement & Contracts (0058)
Legislative Authority: P.L. 95-79.

Since 1976, GAO has issued several reports questioning the Department of Defense's justifications for aircraft intended for noncombat missions, such as training, peacetime attrition, and backup during depot maintenance. The aircraft were justified based on unrealistic data and without adequate consideration of more economical alternatives.

Findings/Conclusions: GAO observed virtually no change in the quantities of noncombat aircraft to be procured and little improvement in the requirements justification for such aircraft. Congress has an excellent opportunity to save as much as $6.9 billion by limiting the number of noncombat aircraft to those that can be adequately justified.

Recommendations: Congress should require the Secretary of Defense to provide justifications for the planned procurement of noncombat aircraft that: (1) are based on current and realistic data; (2) recognize the impact of the procurement on readiness; and (3) consider the modern aircraft design and improved maintenance techniques. In addition, Congress should withhold approval of appropriations requested to procure these aircraft until these justifications are provided.

Agency Comments/Action

Since this report is generally a reiteration of the other reports, GAO did not ask for comments from the Department of Defense.

Appropriations

Aircraft procurement - Air Force, Navy

Appropriations Committee Issues

The Committees should question the justification for the planned procurement of noncombat aircraft. This justification should: (1) be based on current and realistic data; (2) recognize the impact of the procurement on readiness; and (3) consider the modern aircraft design and improved maintenance techniques.

DEPARTMENT OF DEFENSE - MILITARY

MISSION BUDGETING

Federal Budget Concepts and Procedures Can Be Further Strengthened
(PAD-81-36, 3-3-81)

Office of Management and Budget

Budget Function: Impoundment Control Act of 1974 (1005)
Legislative Authority: Congressional Budget and Impoundment Control Act of 1974 (31 U.S.C. 1400; 88 Stat. 297; 88 Stat. 327). Antideficiency Act (31 U.S.C. 665).

Although the basic institutional and conceptual budget framework laid out in 1967 and 1974 is serving the Nation well, several recent developments have placed strains on the capacity of existing budget concepts and procedures to serve the budget information and control needs of Congress, the executive branch, and the public. Legislation has been enacted removing important Federal programs from the budget, resulting in incomplete budget coverage and totals that do not reflect the true level of Federal activities. GAO believes that it is essential to recognize the extent of the erosion which has taken place and to begin taking action to overcome the resulting inadequacies in the process. In the opinion of GAO, the Government's budgeting system must be improved to deal adequately with the serious economic conditions facing the Nation in this decade.
Findings/Conclusions: Five basic kinds of changes are needed in the budget process: (1) to place most off-budget Federal activities back onto the budget, early legislative action is needed; (2) to better control short- and long-term budget levels, a wide range of management, financing, and legislative actions are needed; (3) to strengthen program and policy level accountability, steps are needed to improve the budget's categories and related information; (4) to streamline the process in order to reduce paperwork and superficial reviews and increase the time for careful analyses and informed debate, changes are needed in scheduling and reporting requirements; and (5) to increase the reliability, consistency, and comparability of budget figures, action is required on several measurement concepts and practices.
Recommendations: Congress should act early on legislation to effect the budget reform changes identified in this report and the changes listed in appendix I on which Congress should take early legislative action. Congress should exercise leadership in bringing about certain other budget reforms concerning matters that have been studied extensively, but which require congressional leadership for bringing about the changes. Congress should encourage further analyses on budget system problems that involve complex interrelationships and trade-offs, and that have not been extensively studied before. Congress should also take steps to establish a study group or commission comprised of high elected and appointed officials, and other senior experts, to conduct such further research.

Appropriations Committee Issues

There has been insufficient Office of Management and Budget/agency action on past GAO recommendations to improve the budget process.

DEPARTMENT OF DEFENSE - MILITARY

MOBILIZATION

Developing the Capability To Supply Troops Adequately if Fixed Ports Are Not Available (LCD-81-15, 12-1-80)

Departments of Defense, the Army, and the Navy

Budget Function: National Defense· Department of Defense - Military (except procurement and contracts) (0051)

GAO reviewed Department of Defense (DOD) efforts to develop a capability to supply and sustain military forces by offloading sealift cargo over the shore if overseas port facilities were inadequate or denied.

Findings/Conclusions: Although a requirement for such a capability was recognized as early as 1970, progress toward its development has been exceedingly slow. If presently required, only a very limited capability, using mostly test equipment, could be deployed. Both the Army and the Navy are addressing the serious ship offload problems which would be encountered if ports were not available, but not all of the problems have been solved yet. GAO believes DOD could better address the problems if requirements for alternative offloading methods were quantified.

Recommendations: The Assistant Secretary of Defense for Manpower, Reserve Affairs, and Logistics should: (1) review time phased requirements for the major scenarios to determine needs; (2) prioritize requirements if overseas ports are denied, and quantify those requirements for containers, roll-on/roll-off cargo, and bulk fuels; and (3) use the above information to set specific goals for Army and Navy development efforts, including the desired degree of interoperability between their systems.

Agency Comments/Action

DOD agreed with the GAO recommendations and made plans to identify LOTS requirements in specific unified command plans. DOD also tasked the military services to fund for shortfalls and ensure that a LOTS capability is established.

Appropriations

Operation and maintenance - Army, Navy
Procurement - Army, Navy

Appropriations Committee Issues

The Committees should make sure that mobilization planning includes requirements for logistics over the shore.

DEPARTMENT OF DEFENSE - MILITARY

MOBILIZATION

DOD's Industrial Preparedness Program Needs National Policy To Effectively Meet Emergency Needs (PLRD-81-22, 5-27-81)

Department of Defense

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)
Legislative Authority: Defense Production Act of 1950. Executive Order 11490.

The Industrial Preparedness Planning Program of the Department of Defense (DOD) was developed to assure that sufficient industrial capacity exists to meet potential wartime needs for defense systems, equipment, and component parts.

Findings/Conclusions: Many organizations, including GAO, have found the program to be ineffective. DOD has reevaluated the program, but no significant improvement has resulted to date. DOD guidance has emphasized programs designed to enhance initial combat capability. Because the program does not significantly contribute to initial combat capability, a low priority has been given to the program. Failure to plan adequately with industry may mean that the ability of the United States to engage in prolonged combat would be jeopardized because no other program exists to bridge the gap between initial combat capability and a lengthy involvement. Two essential elements of the DOD program, item selection and requirements determination, are handled differently by each service and are often not handled well. Industry's participation in the DOD planning program has been voluntary and unfunded for many years. Planning information received from industry sources is incomplete and unreliable. Many industry sources do not identify production enhancement measures as part of their planning because they are not reimbursed for the costs of developing this information. In some cases, planners have discouraged contractors from identifying enhancement measures because of personnel constraints and lack of funds. Lack of management attention to the program may be resulting in lost opportunities to reduce war reserve stockage requirements.

Recommendations: Congress, in coordination with the executive branch, should establish a clearly defined and comprehensive national policy regarding industrial preparedness. Hearings should be held to develop this policy. This policy should encompass both the preparedness expectations for the industrial base, as well as what the United States is willing to invest to achieve it. The Secretary of Defense should: (1) clearly define the circumstances that the industrial base is expected to be responsive to and the role it will play in each; (2) clearly define the priority and funding availability industrial preparedness planning will have in relation to other DOD and service programs; (3) assure that service industrial preparedness planning efforts are interfaced with other related defense programs to assure continuity of support over the planned period; and (4) assure that service planning efforts are scaled to what can realistically be accomplished within assigned priority and available funds considering either substantially limiting the number of individual items planned or limiting indepth planning to a few vital items while using studies of key industrial sectors to identify potential mobilization problems.

Agency Comments/Action

DOD generally agreed with the GAO report and is working to improve the Industrial Preparedness Program and related resource allocations.

Appropriations

Procurement - Army, Navy, Air Force
Operation and maintenance - Army, Navy, Air Force

Appropriations Committee Issues

The Committees should consider the same issues recommended to Congress in the report.

DEPARTMENT OF DEFENSE - MILITARY

MOBILIZATION

Adjustments Recommended in Fiscal Year 1982 Ammunition Procurement and Modernization Programs (PLRD-81-35, 6-30-81)

Departments of Defense, the Army, the Navy, and the Air Force

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)

GAO reviewed the military services' justifications for their fiscal year 1982 appropriation requests for the procurement of conventional ammunition and the ammunition production base. The review was limited to: (1) evaluating the Army, Navy, and Air Force requests for ammunition end-items costing large dollar amounts and end-items being bought for the first time; and (2) Army projects for establishing, modernizing, and expanding the ammunition production base. GAO also made some followup inquiries to determine the status of the Department of Defense actions to implement recommendations made in a GAO report on the single manager program for conventional ammunition. **Findings/Conclusions:** Progress toward further implementation of the single manager program has been limited. The appropriations request for eight of the Army's conventional ammunition items should be reduced by $133.6 million. Some of the requested items are not needed in fiscal year 1982 because: (1) of production backlogs; (2) the sole producer has not passed acceptance tests and has insufficient capacity to produce the increments needed; (3) they are for use in helicopters which have deficiencies that must be resolved before production or will not be needed until the deliveries of helicopters begin; (4) existing inventory and quantities exceed requirements; or (5) of technical, production, or performance problems. The appropriations request for four of the Navy's conventional ammunition items should be reduced by $13.8 million because only half of one requested item could be produced during fiscal year 1982, because the Navy has adequate inventory to meet projected needs, or because of production backlogs. Two of the Air Force's requests for ammunition should be reduced by $10.5 million because the items can be procured commercially at a lower cost than estimated in the budget and some are not needed in 1982 because of a large production backlog. GAO concluded that the $9.5 million requested for a steam tieline at the Radford Ammunition Plant is not adequately justified. It is too soon to provide $5.8 million for redistributing excess equipment. The Army has not resolved problems concerning the effectiveness of the Copperhead system.

Recommendations: The House Committee on Appropriations should closely monitor the ammunition program for three items until the Army resolves various problems. The House Committee on Appropriations should reduce the Navy's fiscal year 1982 ammunition appropriation request by $13.8 million for four items. The House Committee on Appropriations should (1) reduce the Air Force's appropriation request by $1.9 million for the .38 caliber PGU 12B rounds to bring the request more in line with the unit cost estimate for procurement of this item from a commercial source; and (2) reduce the Air Force's request by $8.6 million for the RR-170 cartridge because of production backlogs. The House Committee on Appropriations should reduce the Army's fiscal year 1982 request for modernizing and expanding the ammunition production base as follows (1) defer the $9.5 million project for the tieline to the horseshoe area at Radford Army Ammunition Plant until a detailed plan using the most cost-effective approach to the steam generating capacity is developed; and (2) defer the $5.8 million project for distributing excess equipment until the full scope of effort is determined and a detailed plan, including firm cost estimates, is developed. The House Committee on Appropriations should reduce the Army's conventional ammunition request for eight items by $133.6 million.

Agency Comments/Action

Agency comments had not been received as of the date that this report was prepared.

Appropriations

Procurement of ammunition - Army
Other procurement - Navy, Air Force

Appropriations Committee Issues

The Committees should consider the aforementioned recommendations.

MORALE, WELFARE, AND RECREATION

Additional Efforts Needed To Improve Morale, Welfare, and Recreation Program Management (FPCD-81-59, 6-22-81)

Departments of Defense, the Army, and the Air Force, and U.S. Marine Corps

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)

GAO reviewed various aspects of the Department of Defense's (DOD) morale, welfare, and recreation (MWR) programs.

Findings/Conclusions: GAO believes that many steps already taken by DOD and the services will improve MWR program management. These steps include: (1) the establishment of minimum standards by the Army; (2) periodic needs surveys in the Army and Air Force; (3) the DOD policy directive on the prescribed funding of MWR construction projects; (4) the Air Force's study of MWR management; and (5) a recent study done for the Navy on Navy and Marine Corps MWR programs. However, GAO found that additional efforts are needed to establish minimum standards and periodic surveys by which to assess needs and to monitor progress. GAO believes that the services need to expand their facilities inventory systems to include MWR activities offered. These systems can be used in conjunction with established minimum standards to highlight program deficiencies and eventually to attain a minimum level of MWR activities for all military communities.

Recommendations: The Secretary of Defense should study the minimum standards established by each service and determine if further DOD-wide requirements should be established. The Secretary of Defense should require the services to expand their facilities inventory systems to include details pertinent to the MWR activities offered. The Secretary of Defense should examine the Army and Air Force's methodologies for needs assessment and consider their possible wider applicability to the Navy and Marine Corps. The Secretary of Defense should direct each service to develop minimum standards for its MWR program. The Army's standards could serve as a basis for development.

Agency Comments/Action

DOD agreed with the recommendations. A DOD instruction on MWR operational policies will be issued shortly. This instruction will: (1) provide program priority guidance; (2) require each DOD component to inventory and prioritize all MWR activities; and (3) require each DOD component to prepare annual and long-range programs. DOD will also prepare a program guide flexible enough to adapt to each service's needs. All services will review the Army's "quality of life" standards. DOD is also developing quantitative indicators to measure and analyze performance MWR activities.

Appropriations

Operation and maintenance - Department of Defense, Army, Navy, Air Force, Marine Corps

DEPARTMENT OF DEFENSE - MILITARY

READINESS

Improving the Effectiveness of Joint Military Exercises--An Important Tool for Military Readiness (LCD-80-2, 12-11-79)

Departments of Defense, the Army, the Air Force, and the Navy

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)
Legislative Authority: P.L. 95-79.

Joint Chiefs of Staff exercises are important to the readiness of U.S. forces. They are a primary means for achieving interservice and U.S. and allied forces training. Their importance and cost dictate effective planning and execution. After preliminary research indicated that improvements were needed in the management of the program, GAO reviewed the planning, execution, and evaluation of the exercises, including an analysis of two major Joint Chiefs of Staff exercises conducted in Europe, REFORGER and CRESTED CAP.

Findings/Conclusions: Current development procedures for the Joint Chiefs of Staff Exercise Program did not assure that the Program was achieving its full potential or that the exercises were being conducted in the most cost-effective manner. Program planning was not supported by comprehensive annual program evaluations, alternatives analyses, or comprehensive justifications. Instead, it was based on the inherent value of the exercises, the types and number of exercises conducted in the past, and the expected availability of funds. The services requested funds for the exercises in their individual budget submissions. The budget submissions included little exercise justification data, thereby placing Congress at a disadvantage in trying to determine optimal funding levels. Methods for measuring readiness were not developed to the point that readiness funding levels could be determined. Improvements to the exercises gained from lessons learned were not fully realized because systematic procedures for dealing with them were lacking. For example, problems previously identified in the CRESTED CAP exercise were recurring regularly in subsequent versions of that exercise. Reassessment of the problem areas in the REFORGER and CRESTED CAP exercises would result in more effective and economical exercises. Although the exercises should be as realistic as possible, the realism of those held in the United States was significantly constrained by wildlife and environmental considerations. Realism of those held in Europe could be improved through better planning.

Recommendations: The Secretary of Defense should direct the Joint Chiefs of Staff to assume a stronger role in developing and managing the Joint Chiefs of Staff Exercise Program. This expanded role should include: (l) providing the unified and specified commands expanded procedural guidance for developing their 5-year exercise programs; (2) critically evaluating the commands' 5-year exercise program submissions; (3) greater coordination with the services in budgeting for Joint Chiefs exercises; (4) greater emphasis on exercise realism; and (5) assuring establishment of adequate systems for dealing with exercise lessons learned. The Secretary should also direct the Joint Chiefs of Staff to reevaluate current REFORGER and CRESTED CAP scenarios, considering the problems and questions discussed in this review.

Agency Comments/Action

Defense generally agreed with the report's recommendations. Joint Chiefs of Staff officials have since said that progress has been made in management of the Major Joint Exercises Program. But expanded Joint Chiefs procedural guidance for developing the 5-year exercise program has not yet been completed. The Joint Chiefs said that they are working closely with the services in justifying joint exercise program budget requests, although the services continue to have both the prerogative and responsibility for justifying and defending joint exercise program budget requests. The Joint Chiefs have initiated, in response to the recommendation, a computerized Worldwide Exercise Lessons Learned Program for evaluating and disseminating lessons-learned data.

Appropriations

Operation and maintenance - Army, Navy, Air Force

Appropriations Committee Issues

Expanded Joint Chiefs procedural guidance for developing the 5-year major joint program should be developed and implemented, and the Defense Budget should include more comprehensive justification data on the need for and benefits to be derived from joint exercises.

DEPARTMENT OF DEFENSE - MILITARY

READINESS

Will There Be Enough Trained Medical Personnel in Case of War? *(HRD-81-67, 6-24-81)*

Departments of Defense, the Army, the Navy, and the Air Force

Budget Function: Health: Health Care Services (0551)
Legislative Authority: P.L. 96-342. 42 U.S.C. 215. 42 U.S.C. 217.

The military services medical departments have two missions: (1) to provide peacetime care to eligible beneficiaries, and (2) to maintain readiness to meet wartime contingencies. Pursuant to a congressional request, GAO reviewed the extent to which wartime military medical personnel shortages exist, what was being done or could be done to overcome the shortages, and how well available personnel were trained for wartime missions.

Findings/Conclusions: An analysis of Department of Defense (DOD) data shows that the number and types of medical personnel in the active duty and reserve forces fall far short of the total projected personnel requirements for the current, most demanding wartime scenarios. DOD projections show that shortages of physicians, nurses, and enlisted medical personnel would be most severe, reduce capacity to deliver wartime care, and begin to occur soon after mobilization. Shortages of surgical personnel would be especially critical. Some other enlisted specialty shortages would also be critical because no pretrained pool exists in the civilian sector. To plan effectively for wartime contingencies, DOD planners need data not only on total medical personnel requirements, but also on what portion of those requirements DOD can actually use in its own military hospitals. It has made little progress toward implementing plans and initiatives to increase its capabilities in these personnel shortage areas. DOD medical readiness planning has focused on long-range goals and objectives to address anticipated changes in threat, personnel, and other factors in future years. Federal mobilization planners believe that the civilian sector has enough medical personnel to augment most military mobilization needs. Selective Service System planners have not determined the rate at which medical personnel could be brought into the military if mobilization occurred. Other alternatives are available to DOD in planning to overcome shortages of medical personnel after mobilization.

Recommendations: The Secretary of Defense should make prearrangements for interservice assignments. The Secretary of Defense should obtain advance agreements with civilian medical personnel to fill key hospital shortages. The Secretary of Defense should make arrangements to use those PHS officers the Secretary of HHS determines could be committed to DOD. The Secretary of Defense should require the Army to provide needed clinical skills training programs to field personnel on loan to hospitals. The Secretary of Defense should direct the services to periodically report their requirements estimates to DOD medical mobilization planners for developing overall medical mobilization plans. The Secretary of Defense should identify and implement specific initiatives to recruit and retain nurses while continuing its initiatives to recruit and retain physicians. The Secretary of Defense should require the Army to establish firm criteria for the frequency and duration of in-hospital training to be given to field unit personnel. The Secretary of Defense should direct the services to develop a consistent and systematic method to estimate the rate at which reserve medical personnel can be expected to report for duty after mobilization. The Secretary of Defense should require the Army to increase in-hospital training programs for field unit personnel located within short distances of military hospitals. The Secretary of Defense should direct the services to develop consistent estimates of near-term medical personnel requirements based on total needs and needs as constrained by available military facilities. The estimates of constrained personnel requirements should be developed together with complete assessments of the availability of other medical resources, such as hospital beds, equipment, and logistic support. The Secretary of Defense should develop specific plans to meet the early postmobilization requirements of DOD for (1) surgeons and other surgical personnel in-theater; and (2) medical personnel in military-unique specialities. The Secretary of Defense should require the Army to structure in-hospital training programs to provide exposure to the full range of needed skills. The Secretary of Defense should plan for near term contingencies by evaluating alternatives for overcoming postmobilization medical personnel shortages which would occur before Selective Service inductees report and are trained for military duty. The Secretary of Defense should require the Army to develop a system for monitoring both clinical and combat related training to insure that they are given a high priority and are effectively accomplished. The Secretary of Defense should require the Army to provide guidance to unit and hospital commanders giving increased priority to medical readiness training. The Secretary of Defense should ascertain the extent to which courses, such as the recently developed triservice Combat Casualty Care Course, should be expanded to provide training to medical personnel not now eligible and assure that such training is provided to all appropriate categories of military medical personnel. The Secretary of Defense and the Director of the Selective Service System should submit a proposal for a postmobilization draft of medical personnel to Congress as soon as possible. The Secretary of Defense should evaluate the applicability of the GAO recommendations regarding the Army's medical personnel training programs to the programs of the other services and, where appropriate, assure that the other services take steps to implement them. The Secretary of Defense and the Director of the Selective Service System should jointly develop provisions to be included in a standby legislative proposal for a postmobilization draft of medical personnel. The Secretary of HHS should ascertain the extent to which (1) civilian medical personnel will be required and available in the civilian sector during mobilization; and (2) DOD can rely on civilian medical personnel as it plans its mobilization efforts.

Agency Comments/Action

The agencies agreed with the GAO recommendations. In written comments and testimony, DOD stated that it has directed the services to implement the recommendations related to developing medical personnel requirements and that it had begun efforts toward implementing the other recommendations. In written comments, the Department of Health and Human Services and the Selective Service System also indicated that they would implement the recommendations. Because of the nature and interdependence of many of the recommendations, it may take many months to complete implementation. For example, a standby proposal for drafting medical personnel is not expected until February 1982.

Appropriations Committee Issues

Better contingency planning is needed to assure an adequate supply of medical personnel to meet DOD wartime requirements, especially requirements in the first months after war begins. The Committees should monitor the progress made in improving the plans and their impact on the requested funding levels of the agencies directly involved.

DEPARTMENT OF DEFENSE - MILITARY

READINESS

Greater Coordination Required in Defense Planning for Intratheater Airlift Needs (PLRD-81-42, 7-9-81)

Departments of Defense and the Air Force

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)

Intratheater airlift provides an essential capability to move personnel and materiel quickly within combat theaters and between points which are separated by impassable terrain. Airlift may be categorized as intertheater, common use intratheater, and specialized intratheater. Intertheater airlift involves long-range lift and is managed by the Air Force Military Airlift Command. Intratheater airlift involves shorter distances, and its responsibilities are divided among Air Force and other military service commands. GAO evaluated Department of Defense (DOD) efforts to match intratheater airlift need and capability, dealing primarily with the common use intratheater airlift.

Findings/Conclusions: GAO found that DOD planners still do not have adequate information to plan for wartime needs. Where planners have identified shortfalls, DOD efforts to address the problems have been inadequate. Individual services and unified theater commands determine and set priorities for movement requirements, and the Military Airlift Command determines how these requirements can be met. The Joint Chiefs of Staff sets overall priorities and provides direction to the Military Airlift Command. GAO found that planning for common use intratheater air movement and aircraft requirements varies from extensive to nearly nonexistent. In Europe, the theater command has studied its needs in detail. However, in the Pacific, only fragmentary data were available. The Military Airlift Command has little overall data on intratheater airlift movement requirements. At DOD headquarters levels, priority on strategic needs results in little emphasis on intratheater planning. Variations in planning, coupled with a lack of awareness by commands regarding what other organizations are doing, indicate a need to better coordinate common use intratheater airlift planning. DOD decisions on major airlift proposals have been based on partial data which leave unanswered basic questions regarding movement and aircraft requirements and relative priority of tactical versus strategic needs.

Recommendations: The Chairman of the Joint Chiefs of Staff and the Commander in Chief of the Military Airlift Command should improve oversight and coordination of common use intratheater airlift planning, including greater participation by the Military Airlift Command in component and theater command efforts. He should: (1) improve methods to determine movement and aircraft requirements at the theater command levels and relate such requirements to capability; (2) ensure consistent use of the most appropriate intratheater airlift planning methods within the Military Airlift Command, theater commands, and other services; and (3) ensure that mobilization plans more adequately reflect intratheater movement requirements and capability.

Agency Comments/Action

In an August 1981 meeting, senior representatives of the Joint Chiefs of Staff, Rapid Deployment Joint Task Force and the European, Pacific, Readiness, Southern, and Military Airlift Commands agreed on a plan of action to address the GAO recommendations. Unified commands will establish planning councils to advise commanders and will establish working groups to identify and rank actual movement requirements using standard definitions and data elements. The Military Airlift command will crossfeed information among theaters and will coordinate development of a standard data processing system for intratheater airlift planning. The General Officers from the August 1981 meeting planned to meet again to review progress in 1 year.

Appropriations

Operation and maintenance - Air Force
Procurement - Air Force

Appropriations Committee Issues

DOD decisions on major airlift proposals have been based on partial data which leave unanswered basic questions regarding intratheater movement and aircraft requirements, and relative priority of tactical versus strategic needs.

READINESS

Defense Can Save Time and Money by Exploring Alternatives to Construction of New Cargo Ships for Rapid Deployment Force

(PLRD-81-55, 7-27-81)

Departments of Defense and the Navy

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)

GAO reviewed the sealift requirements for the Rapid Deployment Force as of May 1981 and the opportunities that effect management improvements which could result in substantial savings.

Findings/Conclusions: GAO believes that significant cost savings and mission benefits might be achieved by acquiring and converting existing Roll-On/Roll-Off ships for the Maritime Prepositioning Ships fleet. These ships are currently in the Merchant Marine or are under construction. By doing this, the Department of Defense could reduce the number of ships slated for new construction and could satisfy its mission requirements much earlier than would be possible under the current plan at substantially lower costs.

Recommendations: The Secretary of Defense should direct the Secretary of the Navy to carefully examine the feasibility of acquiring and converting existing ships and those currently under construction as an alternative to new construction. This examination should include detailed analyses of all costs and benefits, including life-cycle costs and plans for effectively supporting the ships when acquired.

Agency Comments/Action

Official agency comments had not been received as of the date this report was prepared.

Appropriations

Ship construction - Navy

Appropriations Committee Issues

The Committees should determine whether Defense has implemented GAO recommendations before funding for new ships is authorized.

DEPARTMENT OF DEFENSE - MILITARY

REQUIREMENTS

Better Planning and Management of Army Watercraft Could Improve Mission Capability While Reducing Excess Numbers and Costs

(LCD-79-419, 8-2-79)

Departments of Defense and the Army

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)
Legislative Authority: A.R. 310-34.

During a contingency, Army troops will need to be resupplied with ammunition, fuel, spare parts, food, and the like, to sustain their operations. The Army has acquired watercraft to resupply its combat troops and to carry out terminal services at U.S. and foreign seaports. The Army is spending $23 million a year to operate, maintain, and store its watercraft. It has also established an $80 million program to improve watercraft, some of which are in excess of requirements.

Findings/Conclusions: The Army's watercraft requirements are questionable because adequate supporting documentation is not available, some assets are seldom used, and other assets have been recognized by the Army as excess. Although the Army has a current inventory of 840 watercraft, it has determined that its requirements total 500. The need for 93 watercraft assigned to an operational project in Europe has also been questioned. The European Command advised the Army that these watercraft were not needed in view of available fixed ports and host nation agreements and asked that they be transferred to another command. The decision to procure new watercraft for container-handling capability appears to be premature since some Army officials believe vessels already in inventory can satisfy the need for container capability and testing has not been adequate to determine the vessels' true performance or fuel costs.

Recommendations: The Secretary of Defense should direct the Army to: review watercraft requirements to ensure that they can be adequately justified; dispose of unneeded watercraft; expedite the signing of host nation support agreements so that watercraft stored in Europe could be used to satisfy other needs or declared excess; establish criteria for authorizing watercraft to table of distribution and allowance units; make sure that product improvement procurement program funds will not be spent on unneeded watercraft; establish, with the Joint Chiefs of Staff and the Military Sealift Command, priorities to take maximum advantage of available transportation and to ensure that Army watercraft are transported to the area of operations needed; and not commit any procurement funds for a new air cushion vehicle until it makes a cost and economic evaluation analysis to determine its cost effectiveness and utility in a realistic military environment.

Agency Comments/Action

The Army agreed with all but one of the report's recommendations. Since the report, actions have been taken to eliminate over 200 watercraft from army inventories. Plans call for the reduction of additional vessels. The one recommendation that was not concurred with was to delay commitment of procurement funds for the air cushion vehicle (LACV-30) until a cost and economic analysis is done. The Army has since contracted to procure 12 LACV-30's. There was a procurement of four vessels in FY 1979 with the option to buy eight more, four each in FY 1980 and FY 1981. The FY 1980 option has been funded and exercised. GAO is attempting to determine if there is a weakening of the Army position to procure LACV-30's.

Appropriations

Procurement - Army
Operation and maintenance - Army

Appropriations Committee Issues

Accurate watercraft requirements should be established to eliminate expenditures on watercraft excess to requirements. The procurement of the air cushion vehicle should be delayed in light of current watercraft requirements, the availability of on-hand watercraft to meet the need, and the performance of the air cushion vehicle during testing.

REQUIREMENTS

Increased Standardization Would Reduce Costs of Ground Support Equipment for Military Aircraft (LCD-80-30, 2-7-80)

Departments of Defense, the Army, the Air Force, and the Navy

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)

Military aircraft ground support equipment was reviewed to determine whether more commonality of support equipment was feasible and whether earlier planning during the aircraft design phase could reduce the number and kinds of this equipment entering military inventories. Each new aircraft developed for the military services results in the development of thousands of ground support equipment items, much of which performs the same function as equipment already in service.

Findings/Conclusions: Substantial cost savings could be realized in research and development, procurement, and logistics if ground support equipment could service more than one type of aircraft. The Department of Defense (DOD) has no organization responsible for issuing policy and guidance to the services on managing and standardizing support equipment or coordinating its development. Most support equipment research and development is geared to meeting program schedules and performance requirements for one type of aircraft. Currently, data systems contain inaccurate or outdated information on the description, reliability, capability, and application of items already in military inventories. Some data sources do not include large quantities of support equipment available in Air Force and Navy inventories; others include a wide range of equipment items, but do not list all their characteristics. Thus, no single source gives decisionmakers all the information needed to decide whether inventories already have similar equipment. Service officials believe that the large volume of items recommended by contractors at one time, insufficient staff to review them, and the complexity of the review and approval process all contribute to hasty reviews. According to service officials, the greatest drawback to more standardization is the procurement regulation requirement that procurements be competitive whenever possible. Because the services use performance standards instead of design specifications, subsequent procurements may contain items having different subsystems and components than the original.

Recommendations: The Secretary of Defense should: vigorously pursue a policy supporting standardizing aircraft ground support equipment; establish a focal point in the Office of the Secretary of DOD to guide and direct the services in carrying out the policy; systematically review the services' activities in implementing the policy; and develop and implement incentives to contractors to use existing aircraft support equipment in the design of new weapon systems. The Air Force and the Navy should: stress the need for program managers and contractors to give more consideration to standardization during the early design and development stages of aircraft weapon systems; direct that the information provided to contractors and service decisionmakers on equipment already in the inventories be accurate, complete, up-to-date, and readily available; develop specific instructions to guide reviewers through the review and approval of contractor-recommended items and clearly define reviewers' roles and responsibilities so that unnecessary items can be identified more quickly; and increase management's awareness of support equipment planned or in use so it can better assess whether new items duplicate functions of existing items and whether more standard equipment can be developed.

Agency Comments/Action

The DOD progress in meeting study task milestones to address recommendations has been slow. At the present pace, it could be some time before GAO knows what results are being achieved on its report's recommendations.

Appropriations

Research development, testing, and evaluation - Army, Navy, Air Force
Procurement - Army, Navy, Air Force
Operation and maintenance - Army, Navy, Air Force

Appropriations Committee Issues

The Committees should consider: (1) how the Office of the Secretary of Defense and the services plan to play a more active role in emphasizing standardizing criteria to reduce aircraft ground support equipment costs; (2) what improvements the services feel are needed to include all necessary aircraft support equipment items in their data systems; (3) how the services plan to simplify and streamline the current review process so that delays in reviewing and appraising ground support equipment items are avoided; and (4) what specific actions the services can take from learning and evaluating aircraft support equipment acquisition practices in the airline industry which limit items and costs.

DEPARTMENT OF DEFENSE - MILITARY

REQUIREMENTS

The Army Continues To Have Serious Problems Identifying Its Resource Requirements (LCD-80-67, 6-30-80)

Departments of Defense and the Army

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)
Legislative Authority: Department of Defense Appropriations Authorization Act, 1978 (P.L. 95-79).

The Army's systems for identifying, monitoring, and reporting the needs of its combat units for people and equipment are not compiling accurate information. As a result, inaccurate information is being used in critical management processes that ultimately determine whether the Army can efficiently and effectively accomplish its mission. Resource requirements are based on the requirements that major field commands report for individual combat units. Without accurate information on these requirements, millions of dollars may be wasted in buying and maintaining the wrong equipment, recruiting and training programs may be aimed at providing the wrong job skills, crucial resources may be distributed to the wrong locations, and the Army may not be organized and equipped to accomplish its mission. These conditions may not be apparent through the Army's readiness reporting system. To identify resource needs, the Training and Doctrine Command first translates approved plans into model organizations and requirements for prototype units. The major field commands pattern their actual units and requirements after the models, with modifications to reflect the needs of units with unusual missions or operating environments. The models must be periodically reviewed and revised and the major field commands must pattern their units after current models. To a large extent, neither of these conditions is being met and invalid requirements are being used in many critical management processes. Major field commands often fail to reorganize their units and revise their requirements as prescribed by changes in the Army's models; this affects the accuracy of their units' readiness reports.

Findings/Conclusions: With these weaknesses in its systems, the Army cannot ensure that requirements reported by major commands accurately reflect the resources combat units need to accomplish their missions, that requirements data used in critical management processes are valid, or combat units are actually organized and equipped in accordance with current plans. The Army must make additional personnel available to conduct more thorough reviews of its requirements. Some major field commands give more emphasis on their readiness ratings than they do to the Army's actual readiness condition. The Army's efficiency and effectiveness depend on compliance with the models developed by its experts. Army headquarters recently adopted a policy that permits field commanders to forego changes unless they have the resources available, thus Army headquarters has lost an essential element of control over the requirements reported for individual combat units. In some cases, reported requirements unjustifiably deviate from approved models because of human error. As the GAO review was limited to an analysis of the system and did not include the Army's need for specific resources, or the quality of resource management, GAO does not know the full extent to which the Army's reported requirements are invalid or the full effect invalid requirement reports are having on critical management decisions. GAO believes that the Army does not know either.

Recommendations: The Secretary of Defense should direct the Army to thoroughly and frequently review the model requirements established through the table of organization and equipment system and ensure that major field commands base their reported requirements on the latest approved models.

Agency Comments/Action

Department of Defense officials agreed that deficiencies exist in the Army's requirements system, and they informed GAO that the Army had begun trying to correct them. They also pointed out that the continuing study by the Army's Concepts and Analysis Agency is aimed at some of the problems cited in this report and, in at least one instance, is expected to result in similar recommendations.

Appropriations

Operation and maintenance - Army

Appropriations Committee Issues

The Army has serious weaknesses in its system for identifying the resources needed by its combat units. These weaknesses are: (1) defeating the Army's attempts to create a standardized force structure; (2) encouraging units to report higher readiness than they should; and (3) feeding inaccurate data into budgeting, acquisition, and planning processes.

REQUIREMENTS

Evaluation of Defense Attempts To Manage Battlefield Intelligence Data (LCD-81-23, 2-24-81)

Departments of Defense, the Army, the Navy, and the Air Force, and U.S. Marine Corps

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)

The Battlefield Exploitation and Target Acquisition (BETA) project was initiated as a joint service experiment to develop a test bed for automated collection, analysis, correlation, and dissemination of tactical intelligence data. The experiment was estimated to cost $98 million through completion in fiscal year 1984. However, in June 1980 congressional committees redirected the project after learning of the BETA development schedule slippage, inordinate cost increases, reduced capabilities, and poor performance during testing. GAO reviewed the present status of the BETA project.

Findings/Conclusions: GAO concluded that: (1) the BETA project capabilities were not sufficiently developed and tested to provide a baseline for early fielding of an operational system and considerable corrective action is needed to achieve this goal; (2) the data are not processed within required response times to provide sufficient technical information for the engineering development effort; (3) pressure from the Department of Defense management to test BETA in a European demonstration contributed significantly to project development problems such as cost growth and reduced performance requirements; (4) prior to congressional direction to form a joint service project, the Air Force was the only service committed to using the BETA design and software to facilitate the early fielding of an operational correlation system; and (5) the Army, which requires functions in addition to those provided by BETA, planned further test bed experiments while it continued analyzing its correlation system requirements. The Navy and Marine Corps foresee very limited application of present BETA technology to their projects.

Recommendations: The Secretary of Defense should include in the BETA project plan an overall schedule for system engineering development and early fielding, as well as corresponding funding requirements. Further, this acquisition should be managed by a single project office, responsible for accommodating both Army and Air Force requirements and for maintaining system configuration control. The Secretary of Defense should include in the BETA project plan a firm Army commitment to utilize the BETA system architecture to fulfill a portion of its tactical fusion requirements so that the joint project can make maximum use of existing software and common hardware. The Secretary of Defense should include in the BETA project plan a Navy definition of a technical approach integrating the BETA ground target designations into shipboard command and control systems. The Secretary of Defense should include in the BETA project plan a plan that defines how BETA can be used to satisfy the requirements of the Marine Corps correlation system. The Secretary of Defense should include in the BETA project plan a Marine Corps analysis comparing its correlation system requirements with planned BETA capabilities. The Secretary of Defense should include in the BETA project plan an acquisition strategy that will maximize use of BETA software in the engineering development model of the joint correlation system to the extent technically feasible. Essentially, this system will require the contractor to provide computer hardware which meets military specifications and is compatible with BETA software. The Secretary of Defense should include in the BETA project plan an orderly, well planned, software development process with progress based on attainment of performance goals, instead of a time schedule. This process should start with a 6 to 8 month "find and fix" phase to (1) correct major software discrepancies; and (2) attempt bringing the current test bed up to specified performance levels. After this phase is successfully completed, as evidenced by testing, service experimentation with the test bed should continue to identify and develop service-unique or advanced capabilities, which can be added during engineering development by future software/hardware upgrades. The Secretary of Defense should include in the BETA project plan the principal objective of future BETA efforts supporting the early fielding of a joint service tactical echelon correlation system to meet Army and Air Force operational requirements for the 1980's.

Agency Comments/Action

The Department of Defense completed testing of the BETA project. The Army and Air Force recently submitted a revised project plan for congressional approval.

Appropriations

Research, development, test, and evaluation - Department of Defense, Army, Navy, Air Force

DEPARTMENT OF DEFENSE - MILITARY

REQUIREMENTS

Logistics Managers Need To Consider Operational Readiness in Setting Safety Level Stocks (PLRD-81-52, 8-10-81)

Departments of Defense, the Navy, the Army, and the Air Force

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)
Legislative Authority: DOD Instruction 4140.39.

GAO reviewed the services' management of safety level stocks to determine whether the extent of the services' activities investment in safety level stocks is a prudent investment and whether other alternatives exist that could serve the same purpose as a safety level.

Findings/Conclusions: Since safety levels serve as insurance against unknown events, every effort should be made to limit such protection to those items essential to mission accomplishment. When determining safety levels, the services do not consider item essentiality in terms of necessity for mission accomplishment. The Air Force has made inroads in this area by establishing an essentiality coding system for identifying and defining wartime versus peacetime needs, setting priorities for repair parts program resources, and determining war reserve material requirements. The objectives of those who manage the inventory may not be compatible with the objectives of those who are responsible for maintaining an operationally ready force. The effectiveness of inventory management activities is based on fill rates, and the effectiveness of users is based on readiness rates. Inventory management activities enhance their effectiveness by ensuring that, within the constraints of available funds, sufficient safety levels of low-cost, high-demand items are available to meet demands. However, GAO found that these are not necessarily the types of items that are the major causes of degraded readiness. As a result, inventory management activities often achieve a high degree of effectiveness at the expense of readiness. More intensive management of stocked items could reduce the services' safety level requirements. While the services have the same safety level objectives they have different philosophies on how to achieve these objectives.

Recommendations: The Secretary of Defense should issue to the service Secretaries policy guidance which: (1) emphasizes the importance of operational readiness as a basis for stockage decisions; and (2) directs that the need for safety levels be related to those demand-based essential items which will increase readiness and not fill rates. The Secretary of Defense should direct the Secretaries of the Army and Navy to develop an item essentiality coding system which ranks the weapon systems in order of importance to mission accomplishment and relates the essentiality of each support item to the system. The essentiality rankings should then be used to identify those items requiring safety levels and to compute safety level amounts. The Secretary of Defense should direct the service Secretaries to emphasize intensive management of essential items as an alternative to safety levels. The Secretary of Defense should issue to the services policy guidance which identified the extent that item cost, demand frequency, and fill rate objectives should be considered in determining the safety level amount for essential items.

Agency Comments/Action

Office of the Secretary of Defense officials generally concurred with the recommendations and promised to take action to implement the recommendations for better linking the need for safety level stock to operational readiness. GAO plans to monitor these actions during periodic follow-up reports.

Appropriations

National defense - Department of Defense

Appropriations Committee Issues

The Committees should determine what specific actions have been taken to implement the report recommendations and require DOD to submit periodic progress reports on achieving reduced safety levels and enhanced linkage between the need for such stock and operational readiness.

DEPARTMENT OF DEFENSE - MILITARY

SUPPLY MANAGEMENT

Centralized Ammunition Management--A Goal Not Yet Achieved (LCD-80-1, 11-26-79)

Departments of Defense, the Army, the Air Force, and the Navy, and Office of Management and Budget

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)

To streamline conventional ammunition management, the Department of Defense (DOD) designated the Secretary of the Army as single manager. GAO examined records and interviewed officials involved in ammunition management at various military locations to determine the managerial and organizational changes needed to enhance further implementation of the single manager concept.

Findings/Conclusions: If the Secretary of the Army had more control and a stronger position, millions of dollars could be saved and a system capable of providing the intensive management essential during a war would result. Currently, control over ammunition management is fragmented between the single manager and the services. Attempts to eliminate this fragmentation have encountered stiff resistance from the services. In addition to more control, the single manager's position needs to be strengthened. Joint service participation needs to be increased, communication channels need improvement, and the organization needs to be elevated with its responsibility limited to ammunition. The matter of funding single manager programs must also be resolved.

Recommendations: To provide the single manager more control over management, the Secretary of Defense should: assign all conventional ammunition items to the single manager; make the single manager responsible for procuring and/or producing all conventional ammunition items which have passed from research and development into production, regardless of the production quantity; make the single manager responsible for establishing, modifying, maintaining, modernizing, and disposing of all conventional ammunition production capacity, including initial production facilities; require the services to transfer all funds appropriated for ammunition procurement to the single manager upon receipt from the Office of the Secretary of Defense; authorize the single manager to review and approve the services' 5-year defense programs to acheive procurement economies and optimum use of the ammunition production base; require the single manager to review and approve all funding requests for enhancing ammunition production facilities retained by the services; assign responsibility to the single manager for operating a single national inventory control point and a national maintenance point to provide DOD-wide integrated inventory and maintenance management; designate the single manager as owner of the ammunition in the wholesale inventory; and require the single manager to apply the principles of vertical stock management for inventory management. To strengthen the single manager organization, the Secretary of Defense should direct the Secretary of the Army to establish a Department of the Army level activity to manage ammunition. The Secretary of Defense should also provide the Army with sufficient funds to cover the additional costs in carrying out the single manager functions.

Agency Comments/Action

DOD officials stated that considerable agreement with the GAO recommendations has been achieved, but a uniform position has not been reached by DOD.

Appropriations

Procurement - Department of Defense, Army
Operation and maintenance - Army, Navy, Air Force

Appropriations Committee Issues

The House Committee on Appropriations discussed this issue in its hearings on DOD appropriations for 1980. In its report, the Committee expressed the desire that the single manager for conventional ammunition concept succeed.

DEPARTMENT OF DEFENSE - MILITARY

SUPPLY MANAGEMENT

Navy Material Handling Equipment Costs Can Be Reduced (LCD-80-31, 1-30-80)

Departments of Defense and the Navy, and Defense Logistics Agency

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)
Legislative Authority: Legislative Reorganization Act of 1970.

The Navy has long recognized that material handling equipment (MHE) can increase productivity in operations involving the physical handling of materials. However, because of the high initial investment costs for MHE, as well as repair and maintenance costs, activities should acquire and maintain only that equipment which is actually needed.

Findings/Conclusions: The underutilization of and excessive allowances for MHE appear to be widespread throughout the Navy. The basic causes of the excessive MHE are: allowances for MHE have not been updated to reflect current requirements, identified excess MHE has not been disposed of or redistributed, and recommendations made by internal auditors to improve MHE utilization and management have not been carried out. At the five Navy activities reviewed, it was estimated that elimination of unneeded MHE, establishment of reasonable equipment allowances, and efficient use of needed equipment would save $5.3 million in future replacement costs and would substantially reduce annual maintenance and repair costs. Many Navy installations have excessive quantities of MHE onhand and, as a result: much of the MHE is greatly underused, almost all MHE qualifies for disposal based on age before it has provided the amount of service anticipated when it was bought, Navy activities are incurring millions of dollars to replace and repair unneeded MHE, and imbalances exist in the distribution of MHE among Navy activities with some having excess MHE while others need identical equipment.

Recommendations: The Secretary of Defense should emphasize the need for maximum utilization of MHE and direct the Navy to: (1) establish realistic usage standards for MHE and, on the basis of these standards, update authorized MHE allowances; (2) redistribute within the Navy, or transfer to the Defense Property Disposal Service for reutilization screening or disposal, all equipment that exceeds the updated MHE allowances; (3) require commanders of all activities which are authorized MHE to make one component of their activities responsible for control of all MHE and for its efficient use; and (4) establish controls at a high enough management level to ensure that all recommendations made by the Naval Audit Service and concurred in by the affected activities are promptly and effectively carried out. The Secretary should direct the Navy to report to him on the implementation of these recommendations. The report should include, according to activity and type of equipment, the quantities and dollar value of MHE: (1) authorized under allowances, (2) onhand, (3) under or over allowances, (4) redistributed within the Navy, and (5) transferred to the Defense Property Disposal Service. The Navy should also be directed to base its 1982 and future years' budget requests for funds to purchase or lease MHE on updated allowances that represent actual need.

Agency Comments/Action

Department of Defense and Navy officials have agreed to implement the recommendations in the GAO report. The Navy has begun a 5-year program to update installation allowances for MHE and to implement the other GAO recommendations. As of September 30, 1981, savings of more than $17 million have been realized through reduced allowances and other actions.

Appropriations

Operation and maintenance - Navy

Appropriations Committee Issues

A determination of realistic requirements for Navy MHE and the redistribution of unneeded equipment can reduce Defense procurement and repair costs.

DEPARTMENT OF DEFENSE - MILITARY

SUPPLY MANAGEMENT

Better Controls and Data Needed To Distribute Defense Medical Supplies (LCD-80-77, 6-25-80)

Department of Defense and Defense Logistics Agency

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)

The Department of Defense's (DOD) multiple systems for distributing medical supplies to the military services were evaluated regarding medical supply purchasing, inventory control and distribution, and possible duplication among systems. The Surgeons General of the Army, Air Force, and Navy were among the officials consulted. Field medical activities in the United States, Japan, Korea, and the Philippines were visited to examine the distribution methods used and to analyze the data provided by these activities on supply distribution effectiveness.

Findings/Conclusions: Distribution was hindered by excessive and old inventories, limited monitoring by the Defense Logistics Agency (DLA) of the diverse DOD purchasing and delivery systems, and weaknesses in the DLA centralized supply system. High medical supply inventories throughout the system increased cost and handicapped control over perishable items. The DLA personnel support center disposed of $12 million of its fiscal year 1978 medical inventory because the supplies were either outdated or no longer needed. Overseas depots stocked up to two and three times the authorized levels. These high inventories and inventory control weaknesses contributed to the high rates of loss for perishable supplies. During the first quarter of FY 1979, $10 million worth of perishable medical supplies were unusable or were of limited use because shelf lives would expire soon. Field activities experienced unnecessary losses when they received outdated supplies or did not properly store perishable items. Reporting on disposals was inadequate. DLA depots shipped too many supplies out of their assigned regions. Only Air Force requisitions regularly reached DLA within the DOD 2-day standard. The timeliness of Army and Navy orders was reduced by sequential edits and reviews by intermediate organizations. DLA experienced serious difficulty in meeting its goal of delivering nonstocked medical items within 30 days after receiving the requisition. Consolidating medical support functions in Japan, Korea, and Hawaii could reduce cost and improve control.

Recommendations: The Secretary of Defense should direct DLA and each military service to eliminate excess medical supply inventories and maintain future inventories more in line with authorized levels, and review and improve inventory management practices and controls over perishable medical supplies. To improve DLA management of locally purchased nonstandard items, the Secretary should instruct the Director, DLA, to take the following actions and require the military departments to cooperate in the DLA efforts: establish a uniform numbering system for locally purchased nonstandard medical supplies; develop uniform criteria for reporting such supplies; prepare a DOD-wide directory of nonstandard medical supplies; and expand monitoring of local purchases to include all medical supplies shown on triservice reports, so that all possible candidates for central management can be considered. To reduce transportation costs, the Director, DLA, should prepare and approve a plan to reduce unnecessary out-of-area shipments by DLA depots and set a specific timetable to carry out the plan. To improve timely processing of requisitions for medical items, the Secretary should direct the military departments to reconsider the need for sequential edits of such requisitions being sent to the Defense Personnel Support Center. Further, the Director, DLA, should increase current efforts to improve timeliness of service by carrying out interim changes now, even where changes to the automated system are planned for the future. The Secretary should direct Defense Retail Interservice Program managers to prepare implementation plans to consolidate medical supply support in Japan, Korea, and Hawaii. Where the plans show opportunities to reduce medical support costs and to increase supply effectiveness, the Secretary should direct the military services to consolidate these functions.

Agency Comments/Action

DOD deferred the suggested inventory reductions pending the results of a retention and disposal study. Although officials believe a uniform numbering system and DOD-wide catalog may be too expensive, they agreed to take a closer look at the possibility of implementing the recommendation. DOD will analyze out of area medical shipments to determine the savings possible. The Army and the Navy have agreed to end their practice of sequentially editing overseas requisitions. DOD officials agreed that the recommended consolidations have potential, but disagreed on immediate implementation plans, because they wish to complete and consider feasibility studies first.

Appropriations

Operation and maintenance - All military services

Appropriations Committee Issues

Management of Defense medical supply distribution can be improved through better control over the diverse systems used within DOD, and through consolidation of some of the organizations.

DEPARTMENT OF DEFENSE - MILITARY

SUPPLY MANAGEMENT

The Army Should Increase Its Efforts To Provide Government-Furnished Material to Contractors (LCD-80-94, 8-11-80)

Departments of Defense and the Army

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)
Legislative Authority: DOD Instruction 4140.41. DARCOM Reg. 700-42.

GAO reviewed operations at the five Army commands which function as inventory control points. Four of the five Army inventory control points are not doing enough to use the material in their long supply inventories as Government-furnished material on major end-item contracts. Often, onhand quantities of secondary items, including parts, components, and assemblies, exceed the estimated amount of material needed to support U.S. and allied forces during peacetime and from the beginning of a war until industry can produce the material at a rate equal to expected wartime usage. This material is classified as being in long supply and, to the extent it does not exceed authorized retention levels, is retained for possible future use. Department of Defense regulations require that this material be screened and furnished, when practicable, as Government-furnished material to contractors for use on major systems and equipment production contracts, thereby reducing the amounts paid to contractors. This should be done whenever substantial net savings are attainable with acceptable risks. Each of the five Army control points are required to implement these procedures and have substantial amounts of long supply material on hand which have potential use as Government-furnished material. Only one control point had instituted a required screening procedure to ensure that material was provided to contractors when practicable. It had devised a computer program for use with each impending end-item procurement, which produces a list of long supply items which are part of the end items to be procured. Contractor representatives inspect and approve the material to avoid the problem of the contractor not being satisfied with the quality or condition of the Government-furnished material.

Findings/Conclusions: Officials interviewed at the four commands which do not implement a screening procedure for long supply material as required felt that the current potential for using long supply material as Government-furnished material was limited and that the results of such procedures, if implemented, would not justify their efforts. They did not have a computer software program to identify items in long supply which might be used in end item contracts. They felt that the manual performance of this identification process would be too time consuming to be practical and advanced other reasons for not attempting to institute the screening procedure, all of which GAO found to be unacceptable reasons for not implementing the required procedures. By not screening long supply inventories for possible use as Government-furnished material on production contracts, these control points may be losing the opportunity to achieve significant savings or may lose such opportunities in the future. Such screening has been used by one Army control point with beneficial results. Officials of the Army's Materiel Development and Readiness Command (DARCOM) have not adequately exercised their oversight responsibility to ensure compliance with this policy.

Recommendations: The Secretary of the Army should direct the Commanding General, DARCOM, to take prompt action to develop procedures to ensure that all Army inventory control points make maximum and economical use of long supply inventories as Government-furnished material on production contracts. These procedures should provide for the screening of all long supply inventories which have a potential use as Government-furnished material, including those managed by a control point other than that which awards the production contracts. Reasonable timeframes should be established to develop and implement these procedures and DARCOM progress should be monitored to avoid further delay.

Agency Comments/Action

Army officials indicated that actions would be taken to require that long supply inventories at all Army inventory control points be screened for use as Government-furnished material on weapons systems and other production contracts. The actions should be completed in fiscal year 1982.

Appropriations

Stock fund - Army
Procurement - Army

Appropriations Committee Issues

By not screening their long supply inventories for use as Government-furnished material on production contracts, four of five Army inventory control points may be losing opportunities to achieve significant savings or may lose such opportunities in the future.

DEPARTMENT OF DEFENSE - MILITARY

SUPPLY MANAGEMENT

Supply Support Costs of Combat Ships Can Be Reduced by Millions and Readiness Enhanced (LCD-81-9, 1-15-81)

Departments of Defense and the Navy

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)
Legislative Authority: OPNAVINST 4441.12A. OPNAVINST 4400.9. Naval Supply Systems Command Pub. P485. SURFLANTINST 4440.1A. SURFPACINST 4400.1B.

Prior reviews by GAO of the Navy's supply support of its submarine and aircraft carrier fleets disclosed that opportunities for significant reductions in inventory excesses and increased readiness exist for the Navy's fleet of combat surface force ships. Thus, GAO undertook a review of the Navy's supply support of its combat surface force ships in the Atlantic and Pacific Fleets.

Findings/Conclusions: In its review, GAO found that the Navy can save as much as $101 million over a 5-year period on procurements and repair of supplies and parts for combat surface force ships. This can be accomplished by improving: (1) shipboard supply management policies; (2) methods for updating shipboard inventory allowances and equipment part replacement rates; and (3) shipboard supply management practices. Additionally, GAO found that unneeded items stocked for prolonged periods by some ships were urgently needed by other ships. Thus, fleet supply readiness would also benefit from the needed improvements in ship supply management.

Recommendations: The Secretary of the Navy should require fleet commanders to make certain that acceptable levels of inventory record accuracy are maintained. The Secretary of the Navy should require fleet commanders to take the necessary action to ensure that realistic order and shipping time data are used in computing stockage levels. The Secretary of the Navy should require fleet commands to establish uniform policies providing for periodic identification and prompt return to the wholesale supply system of shipboard item stock excesses valued at $50 or more during intervals between supply overhauls. The Secretary of the Navy should require the Pacific Fleet Surface Force Command to adopt the Atlantic Fleet policy of monthly validation of outstanding shipboard orders for materiel and prompt cancellation, where appropriate. The Secretary of the Navy should require the Ships Parts Control Center to identify and eliminate from updated inventory allowances for ships undergoing supply overhauls those parts that have a unit price of $100 or more and have not been used by the overhauled ships or by other ships of the same type for the past 4 years. The Secretary of the Navy should require the discontinuance of Navy policy allowing combat surface force ships completing supply overhauls to arbitrarily retain reparable-type items, which are applicable to installed equipment, but which were not included in their updated inventory allowance due to lack of prior usage. Also, he should require ships undergoing overhauls to promptly offload and return to the nearest wholesale stock point all excess reparable-type items valued at $50 or more for which foreseeable supply system requirements exist.

Agency Comments/Action

The Navy concurred with five of the six report recommendations and advised GAO of actions taken to implement these recommendations. Principal actions taken by the Navy, which GAO estimates will result in procurement and repair cost savings totaling $71 million over a 5-year period, include: (1) discontinuance of Navy policy allowing combat surface ships completing supply overhauls to arbitrarily retain reparable-type items in excess of updated allowances, which would save $37 million; and (2) establishment of Fleet Command policies providing for periodic identification and prompt return to the wholesale supply system of shipboard stock excesses valued at $50 or more during intervals between supply overhauls, which would save $34 million.

Appropriations

Other procurement - Navy
Operation and maintenance - Navy

Appropriations Committee Issues

In view of savings potential, the Committees should consider reducing the Navy's 1982 appropriation.

DEPARTMENT OF DEFENSE - MILITARY

SUPPLY MANAGEMENT

Opportunities Still Exist for the Army To Save Millions Annually Through Improved Retail Inventory Management

(LCD-81-16, 1-19-81)

Departments of Defense and the Army

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)

In 1975, GAO reported to the Secretary of Defense that the Army could save tens of millions of dollars annually through improved management of inventories at installations and divisions. The Department of Defense (DOD) agreed and advised GAO of a number of corrective actions that the Army would take to bring about the desired improvements. A review was conducted to determine the effectiveness of actions taken by the Army and to determine whether additional opportunities for savings existed.

Findings/Conclusions: GAO found that the Army has made little progress in resolving the previously disclosed retail inventory management problems and that opportunities for savings of $126 million exist. GAO found that: (1) Army retail supply activities continue to hold for prolonged periods tens of millions of dollars of stock excesses which are critically needed elsewhere; (2) Army installation, division, and corps supply activities annually lose visibility and, thus, control over the prompt recovery of tens of millions of dollars of inoperable but economically reparable items; and (3) Army installation, division, and corps supply activities overstate stock requirements and inflate budget requests for procurement funds and spending authority by millions of dollars annually because of inaccuracies in ordershiptime, inventory record, and materiel demand data used in requirements computations. These problems continue to exist because prescribed policies and procedures are either inadequate, or are not being observed, and because of inadequacies in computerized logistics systems.

Recommendations: The Secretary of Defense should direct the Army to strengthen policy and controls to prevent Army installations from purchasing nonstocked items for which there are no funded orders from supported units. The Secretary of Defense should direct the Army to have major commands reemphasize to their installation, corps, and division supply activities the importance of adhering to the prescribed policy and procedures for periodically identifying and canceling or redistributing onhand and on-order stock excesses. Also, the Secretary of Defense should have major commands and the Army Audit Agency monitor compliance with prescribed policy and procedures as part of their periodic supply reviews. The Secretary of Defense should direct the Army to reemphasize to installation and corps supply activities the importance of strict adherence to the prescribed procedures for taking prompt action to correct item stock records reflecting negative balances. The Secretary of Defense should direct the Army to revise policy to require that the maximum ordershiptime constraint programed in installation and corps automated logistics system be consistent with the latest 6-month average actual ordershiptime experienced for routine, nonbackordered receipts. The Secretary of Defense should direct the Army to give priority to correcting longstanding problems, inherent in the standard automated installation and corps logistics system, which hinder accomplishment of prescribed physical inventories and related attainment of acceptable levels of inventory record accuracy. The Secretary of Defense should direct the Army to reprogram the standard automated installation and corps logistics system to (1) prevent erroneous inclusion of ordershiptime materiel requirements associated with nonreplenishable one-time item needs for mobilization and provisioning stocks in quarterly inventory stratification reports and (2) consider only routine, nonbackordered receipts in averaging actual item ordershiptime days. The Secretary of Defense should direct the Army to (1) strengthen prescribed policy and procedures for controlling and accounting for the recovery of inoperable, reparable items by having supply activities (a) follow up every 15 days to account for the disposition of outstanding turn-ins, (b) suspend further issues of recoverable items to customers with outstanding turn-ins of identical inoperable items over 30 days old, and (c) require retail supply activities to validate, on a sampling basis, validity of turn-in documents cited and certifications for later turn-ins or other disposition; and (2) have major commands establish a feedback system for monitoring the performance of retail supply activities in controlling and accounting for the prompt turn-ins of inoperable, recoverable items. The Secretary of Defense should direct the Army to reprogram the standard automated division logistics system to accumulate and periodically update average actual ordershiptime for routine, nonbackordered requisitions by individual items or classes of items. In the interim, require divisions to use, in requirements computations, their latest 6-month average actual ordershiptime for routine receipts as shown in the monthly unit ordershiptime report. The Secretary of Defense should direct the Army to (1) require installation, corps, and division supply activities to report the results of their periodic physical inventories and follow up causative research of inventory errors valued at $500 or more to their major commands; (2) have major commands monitor the extent to which retail supply activities are achieving desired quantitative and dollar inventory record accuracy standards; and (3) have major commands monitor the effectiveness of actions taken by retail supply activities to correct underlying causes of recurring errors revealed by causative research. The Secretary of Defense should (1) direct the Army to direct the Fort Carson Installation Supply Activity to promptly process physical inventory stock record adjustments before performing causative research; and (2) revise Army policy to require that physical inventory adjustments to stock records be made within 30 days of completion of the physical inventory. The Secretary of Defense should direct the Army to give priority to eliminating the division logistics system automated capability of erroneously changing demand codes on orders from nonrecurring to recurring when the orders cannot be filled at the division level and are passed to the wholesale level. The Secretary of Defense should direct the Army to revise retail supply policy to require installation and corps supply activities to apply item-serviceable materiel return rates to reduce item demand rates in forecasting requirements. Also, the implementation and continued application of this revised policy should be monitored as a part of the Army's periodic compliance reviews. The Secretary of Defense should direct the Army to reprogram installation and corps logistics systems to provide for automated monthly identification, reporting, and return of stocks of wholesale-level, intensively managed items exceeding requisitioning objectives.

Agency Comments/Action

The Army agreed in whole or in part with the GAO findings and recommendations. The following corrective actions were taken: (1) elimination of a 3-year retail stock retention level for critical items and automated identification, reporting, and return to the wholesale system of critical items in excess of current local needs thus saving $55 million; (2) revision of retail supply policy and automated programs to require the use of serviceable material returns to reduce forecasted requirements at Army retail supply activities saving $58.5 million; and (3) reprogramming of automated systems to prevent inclusion of erroneous and shiptime material requirements in budget reports which will save $12.5 million.

Appropriations

Procurement - Army
Operation and maintenance - Army

Appropriations Committee Issues

In view of the potential savings, the Committees should consider reducing the Army's 1982 appropriation.

DEPARTMENT OF DEFENSE - MILITARY

SUPPLY MANAGEMENT

Improved Management of Air Force Modification Programs Can Save Millions (PLRD-81-5, 3-16-81)

Departments of Defense and the Air Force, and Defense Logistics Agency

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)
Legislative Authority: DOD Directive 7200.4. A.F. Manual 67-1.

Air Force policy is to use existing items that may be available in the Department of Defense (DOD) supply system before it purchases new items for modification kits.

Findings/Conclusions: GAO found that the Air Force purchases most of its modification kits through contracts without considering the DOD supply system. GAO believes that the lack of screening for the needed items has resulted primarily from: (1) confusion and misunderstanding on the part of the centers' personnel, coupled with vague and sometimes contradictory Air Force regulations; and (2) a lack of faith on the part of the Air Force that the Defense Logistics Agency (DLA) can effectively support the modification programs. GAO believes that significant savings can result from using DOD-managed items. The Air Force has proposed alternative procedures to correct unnecessary costs. However, the Air Force proposal has not been implemented, and GAO believes that it contains weaknesses which should prompt consideration of another alternative. In addition to requiring contractors to perform duties which Air Force personnel are already supposed to be doing, the proposal will require contractors to requisition DLA-managed items on a fill or kill basis. Thus DLA will have an opportunity to provide needed items only if they are on hand. The proposal will not afford DLA the opportunity to provide items through procurement actions. In its application of the DOD phased procurement policy, the Air Force overlooks opportunities for significant savings. Congress, DOD, and the Joint Logistics Commanders have recognized that the exceptions to the phased procurement policy may result in significant savings. The Joint Logistics Commanders have recommended that the DOD directive be revised to clarify this.

Recommendations: The Secretary of Defense should require the Secretary of the Air Force to direct Air Force managers to obtain DOD-managed items through the DOD supply system where savings can be realized. The Secretary of Defense should require the Secretary of the Air Force to amend and clarify current regulations and procedures that deal with modification programs to eliminate confusing and contradictory statements on screening the DOD supply system for items needed in modification kits. The Secretary of Defense should require the Secretary of the Air Force to direct Air Force managers to screen the DLA inventory to determine what support can be provided before allowing contractors to requisition items on a fill or kill basis. The Secretary of Defense should require the Secretary of the Air Force to take maximum advantage of existing Air Force capabilities to aggregate and assemble modification kits at lower costs. The Secretary of Defense should: (1) adopt the Joint Logistics Commanders' recommendation to clarify the DOD directive permitting advance procurement in situations where good business practices and significant savings can be achieved; and (2) clarify the current DOD policy permitting procurement of modification kits in optimum quantities where significant recurring production costs can be avoided without risking canceled programs. Additionally, the Secretary should require the Secretary of the Air Force to establish procedures for the air logistics centers to identify, document, and report instances where recurring production costs on modification kit items can be avoided through consolidated and advanced procurements.

Agency Comments/Action

The Air Force concurred with the intent of the GAO recommendations and advised GAO of a number of actions being taken to provide for making increased use of the DOD supply system to obtain parts needed for aircraft modification programs. These actions include: (1) a change in Air Force policy requiring screening of DOD assets for use in contractor development kits, and (2) greater use of organic capabilities to aggregate and assemble modification kits.

Appropriations

Aircraft procurement - Air Force

DEPARTMENT OF DEFENSE - MILITARY

SUPPLY MANAGEMENT

Navy Must Improve Its Accountability for Conventional Ammunition (PLRD-81-54, 7-29-81)

Departments of Defense and the Navy

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)

Navy ammunition is stored at inland depots and at coastal outloading activities. All activities periodically report ammunition receipts, issues, expenditures, and losses to the conventional ammunition inventory management system (CAIMS). The data base from this system constitutes the Navy's ammunition accountability records which are the basis for day-to-day management decisions, program planning, and budget justification. GAO completed a study of the Navy's accountability for conventional ammunition.

Findings/Conclusions: GAO found that CAIMS does not provide the required accountability to effectively manage sizable ammunition inventories. The Navy has been unable to reconcile its inventory records with those of the single manager for conventional ammunition. Moreover, the inventory controls necessary to maintain accountability and visibility over fleet ammunition returned to weapons stations are either weak or nonexistent. Therefore, managers rely upon data that inaccurately reflect the quantity, location, and condition of this ammunition. CAIMS still contains numerous discrepancies, in spite of a $46 million dollar unreconciled downward adjustment to align CAIMS with the single manager's inventory. On the basis of inventories made at two weapons stations, GAO could not find $7.4 million worth of ammunition shown on the accountability records. Another $1.4 million worth of ammunition was found in storage but was not on the accountability records. The backlog of ammunition awaiting inspection amounted to 776 tons at one weapons station and occupied 106 railroad cars at another; some of the ammunition stored were priority items; some items had been in storage for over 18 months. Accountability for fleet ammunition is inadequate. The Navy program to determine the condition of ammunition by inspecting it aboard ships has not been successful. Ammunition received at a weapons station for transfer to another destination is recorded in CAIMS only as intransit. Consequently, visibility is inadequate over this ammunition, and ammunition is dropped from the intransit file after 90 days.

Recommendations: The Secretary of the Navy should develop a program to expedite the reconciliation of CAIMS, through physical inventories if necessary, with the inventories at storage activities, including single manager depots. Causes of significant inventory adjustments should be investigated. The Secretary of the Navy should enforce and modify, as necessary, the procedures for reporting and investigating discrepancies to determine whether ammunition was lost or stolen. The Secretary of the Navy should develop a capability within CAIMS to effectively monitor the status of ammunition transactions. The Secretary of the Navy should process suspended ammunition promptly, giving consideration to priority items. Inventory records should accurately reflect the quantities and locations of suspended ammunition. The Secretary of the Navy should determine whether the preinspection program should be continued since there is less than full acceptance and commitment to the program. If the program is continued, the reasons for the lack of acceptance and commitment should be addressed and alleviated, and other alternatives, such as inspecting some returned ammunition at the pier, should be explored. The Secretary of the Navy should develop a procedure requiring interim accountability for ammunition designated for further transfer and enforce the reporting of this material to CAIMS. Cognizant personnel should be aware of priority items designated for further transfer to assist in determining the order and manner of shipping.

Agency Comments/Action

In its informal comments, Navy agreed with all of the report's recommendations. Official agency comments had not been received as of the date that this report was prepared.

Appropriations

Supply management - Navy

Appropriations Committee Issues

The prompt processing of suspended ammunition, giving consideration to priority items, could avoid procurements by making it available for issue more quickly than if it is stored and processed on a regular schedule.

DEPARTMENT OF DEFENSE - MILITARY

SUPPLY MANAGEMENT

Civil Agencies Should Save Millions by Recovering Silver From Photographic Wastes (PLRD-81-48, 7-31-81)

Departments of Defense and Health and Human Services, and Office of Management and Budget, Veterans Administration, and General Services Administration

Budget Function: General Government: General Property and Records Management (0804)

Many Government agencies continue to waste money and a valuable natural resource by discarding silver-laden photographic wastes. By using inexpensive and easy-to-operate equipment in their photographic laboratories, these agencies could recover silver that frequently is being poured down the drain. The Government saves money by recovering silver because its market value is far greater than the costs to recover it. GAO conducted a review to determine whether problems continued with ineffective or nonexistent silver recovery programs in Government agencies.

Findings/Conclusions: Since a 1977 GAO report, the Department of Defense (DOD) improved its recovery effort by 50 percent, while many civil agencies made few improvements. However, civil agencies could make a similar increase in savings if their recovery efforts improved. Of 44 laboratories which GAO reviewed, only 12 effectively recovered silver, 13 partially recovered silver, and 19 did not recover any silver at all. GAO believes that millions of dollars could be saved annually by starting or improving recovery at all locations. Most civil agencies do not adequately recover silver from photographic wastes because: (1) they must spend time and money to recover but receive no direct benefit since proceeds from silver sales are normally returned to the Treasury; (2) many laboratory personnel are not aware of the benefits of recovery; (3) managers do not emphasize recovery; and (4) the General Services Administration (GSA) has not fully supported the recovery program. Use of the existing DOD program by civil agencies would overcome most of the current problems. Civil agencies that join the system can save money by drawing silver from DOD and providing the silver as Government-furnished material to vendors supplying items containing silver. DOD will also advise civil agencies on appropriate recovery techniques, furnish recovery equipment, train agency personnel, and provide collection locations for recovered silver. Internal controls over recovered silver should be strengthened because of its high value and easy negotiability.

Recommendations: The Administrator of General Services should clarify the Federal property management regulations to emphasize that silver recovery is required in all Government photographic laboratories. The heads of Federal agencies should: (1) emphasize the importance of effective silver recovery to management officials having responsibility for photographic laboratories; (2) require periodic internal audits of photographic laboratories to identify waste and poor internal controls; and (3) join the DOD precious metals recovery program where this would be more cost effective than starting and maintaining their own programs. The Secretary of Defense should take the necessary actions to accommodate additional civil agencies desiring to join the DOD program.

Agency Comments/Action

The 24 audited agencies generally agreed with the report's conclusions and recommendations. GSA is currently revising the Federal Property Management Regulations to clarify that silver recovery is mandatory for Government photographic labs. The Departments of Agriculture and Justice and the Bureau of the Census have already joined the DOD precious metals recovery program. Several other agencies are now in formal discussions with DOD to join the DOD program. The Departments of Justice and the Treasury, and the Veterans Administration have started agencywide audits to determine the effectiveness of their silver recovery program. DOD will accommodate additional civil agencies as the need requires.

Appropriations

Property management - All Federal departments

Appropriations Committees Issues

The Committees should direct civil agencies to effectively recover silver from photographic wastes by encouraging internal audits of Government photographic labs and encouraging agencies without effective recovery programs to join the DOD recovery program.

DEPARTMENT OF DEFENSE - MILITARY

SUPPLY MANAGEMENT

DOD Can Save Millions by Using Less Expensive Packaging for Small Arms Training Ammunition (PLRD-81-53, 8-18-81)

Departments of Defense, the Army, the Navy, and the Air Force

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)

GAO reviewed the Department of Defense's (DOD) packaging of small arms training ammunition to determine whether such packaging costs could be reduced.

Findings/Conclusions: GAO found that, although DOD policy requires the use of the most cost-effective packaging, small arms training ammunition is bought with material that is not needed and used only occasionally for training purposes. Cost of this ammunition could be reduced by not including equipment such as metal stripper clips, loading adaptors, and bandoliers. While these items are crucial for combat, they are rarely used for training purposes. GAO believes that packaging ammunition without this equipment would permit savings without adversely affecting training. GAO also found that the wirebound wooden crates and metal containers provide training ammunition with packaging designed to last 10 years in outside storage. While combat stocks may require this level of protection, training ammunition does not. Furthermore, the wooden crates used to pack ammunition are treated with PCP, an environmentally hazardous chemical. GAO stated that the use of fiberboard for containers is more economical and would eliminate the health hazard associated with the chemically treated wooden crates. GAO concluded that, by repackaging small arms training ammunition without the combat extras, DOD could save $33 million.

Recommendations: The Secretary of Defense should: (1) instruct the Army to use the available 5.56 mm. training pack; and (2) require the other services to requisition the training pack stock number. The Secretary of Defense should require the Army to have other types of training ammunition packaged in fiberboard containers without bandoliers, stripper clips, and magazine feeders.

Agency Comments/Action

DOD officials agreed with the concept of using less expensive packaging for training ammunition, but stated that they would have to study the various training applications more thoroughly to determine the extent of savings.

Appropriations

Operation and maintenance - Army

SUPPLY MANAGEMENT

Improved Management of Fleet Supplies and Spare Parts Can Save Millions Without Affecting Readiness (PLRD-81-59, 9-11-81)

Departments of Defense and the Navy

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)

GAO reviewed the Navy's supply support to assess actions taken by the Navy in response to earlier GAO reports on shipboard supply management and to evaluate the effectiveness of supply support provided by the Navy's automated surface ships.

Findings/Conclusions: GAO found that the Navy has acted on some of the earlier recommendations and has achieved savings of at least $89 million. However, the Navy has taken little or no action on other recommendations. Additional opportunities are available for the Navy to save as much as $94 million over a 5-year period on the procurement of repair parts and supplies by adopting more stringent criteria for submarines and tenders and by the use of automated surface ships. These savings can be accomplished by improving: (1) shipboard management policies and controls to ensure that excess inventories are not retained aboard the ship after supply overhauls and that the Navy adopts a stockage criterion which is standard and will produce the best results in terms of trade-offs among investment, timely filling of requisitions, and stock excessing actions; (2) visibility over shipboard supply by insisting that authorized allowances be adhered to; (3) the process for identifying, redistributing, and offloading excess materials on a timely basis; and (4) the accuracy rate of physical inventories.

Recommendations: The Secretary of Defense should direct the Navy to have its fleet commanders discontinue the use of goals for determining excesses on hand and on order and direct that any item that exceeds the authorized allowance is in excess, whether it is on hand or on order. The Secretary of Defense should direct the Navy to have its fleet commanders monitor excesses and assure that they are offloaded and redistributed or made available to the supply system in a timely manner. The Secretary of Defense should direct the Navy to have its fleet commanders assure that inventory accuracy rates are improved to the acceptable level of 90 percent. The Secretary of Defense should direct the Navy to require its submarines and submarine tenders to adopt a more stringent demand frequency criterion to add and retain items for demand-based stock levels; namely, two recurring demands in separate months over a 6-month period to establish, and two recurring demands in separate months every 12 months thereafter to retain. The Secretary of Defense should direct the Navy to change its policy so that submarine tenders will limit demand-based increases in stock levels to quantities needed to sustain current operations after considering initial allowance stocks in excess of the 90-day requirement when reevaluated based on current demand experience. The Secretary of Defense should direct the Navy to direct submarine tenders to periodically identify all excess on-order stocks and promptly initiate cancellation action. The Secretary of Defense should direct the Navy to direct the Pacific Fleet to more vigorously emphasize the offloading of unauthorized material and more closely observe current standards. The Secretary of Defense should direct the Navy to exercise controls aboard carriers to prevent requisitioning of materials and supplies that will put the ships in an excess condition. The Secretary of Defense should direct the Navy to direct carriers to perform sufficient reorder reviews to permit timely identification and cancellation of those items that are in excess of the ships' needs. The Secretary of Defense should direct the Navy to direct carriers to exercise controls to prevent ordering Closed Loop Aeronautical Management Program (CLAMP) items that are excess to allowances and to promptly turn in all excess CLAMP items.

Agency Comments/Action

The Navy concurred and is taking corrective action on all but the following recommendations. Concerning the recommendation for a more stringent frequency-of-demand criterion, the Navy concurred in part and stated that a stockage criterion of two frequencies of demand in 6 months to establish and two frequencies of demand every 12 months thereafter to retain has been directed for submarine tenders. The Navy stated that the policy has been implemented in the Atlantic Fleet and is being implemented in the Pacific Fleet. The Navy did not agree with the recommendation of using separate months of demand and opted instead to use frequency of demand applied to the 2/6-2/12 criterion. According to the Navy, its decision was based on the results of a March 1976 Fleet Material Support Office study, which showed that application of a frequency of demand policy would have less adverse impact on supply effectiveness for submarine tenders than would application of a months-of-demand policy which GAO recommended.

Appropriations

Operation and maintenance - Navy

Appropriations Committee Issues

The Committees should consider operation and maintenance funding for the Navy.

DEPARTMENT OF DEFENSE - MILITARY

SUPPORT FUNCTIONS

Operational and Support Costs of the Navy's F/A-18 Can Be Substantially Reduced (LCD-80-65, 6-6-80)

Departments of Defense and the Navy

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)

The Navy is planning to buy 1,366 F/A-18 Aircraft which are being developed to replace the Navy F-4 and A-7 aircraft, the Marine F-4 aircraft, and possibly the Marine A-4 and AV-8A aircraft. In response to broad congressional interest in reducing life cycle costs of major weapon systems, a review was made of the Navy's logistics support planning for the F/A-18 and how substantial reductions in its ownership costs can be achieved.

Findings/Conclusions: The Navy's logistics support planning for the F/A-18 is comprehensive and should provide adequate support. However, like any new weapon system, there are still unknowns which could affect the system's readiness and logistics support costs. Introduction of the system and logistics support costs are highly dependent on the Navy receiving peculiar automatic test equipment on schedule; any delays will cause costs to rise. Operational and support costs will be higher than expected and alternative concepts should be considered to reduce them. GAO identified several alternatives which could potentially reduce the F/A-18 operational and maintenance costs by as much as $4 billion.

Recommendations: The Secretary of the Navy should: adopt the McDonnell-Douglas proposal to use dual or multiport automatic test equipment for testing F/A-18 avionics components and use multiport radar test equipment if proven feasible; review the need for 96 VAST stations and use components from any excess units to satisfy the Government-furnished equipment requirement for the F/A-18 avionics tester; determine if it is still in the Government's interest to accept the high development risks now present in the contract for the F/A-18 automatic test equipment; consolidate all F/A-18 avionics component repairs for Navy and Marine Corps units at Lemoore and Cecil Air Stations and establish overseas repair facilities to support deployed Navy carriers and Marine Corps units; combine fleet readiness and proficiency training requirements and use the pilot trainers 6 days per week; use the OFT in place of the more expensive WTT for proficiency training at El Toro and Beaufort; cancel the planned purchase of an OFT for the overseas base of Iwakuni; reconsider using OFT's for proficiency training if WTT unit costs increase; reassess present deployment plans for the F/A-18 and evaluate the merits of consolidation as a means to overcome small-scale inefficiencies and reduce ownership costs; require the full implementation of the RCM concept for the F/A-18 and cancel plans for depot overhauls on a cyclical basis; reassess the need for pipeline aircraft considering the expected higher operational-available time of the F/A-18 and reduce depot turnarounds; review planned depot expansion and modifications at North Island; determine the number of accoustical enclosures and engine test cells needed for the Lemoore Naval Air Station, considering the higher reliability and maintainability aspects of the F/A-18; and reevaluate the number of mobile maintenance van pads planned for El Toro Marine Corps Air Station. The Secretary of Defense should reevaluate the present Department of Defense (DOD) policy of not allowing long-lead funding for initial spares given the Navy problem of using SAIP. The Navy should be allowed to use long-lead funding so that it can buy initial spares and aircraft installed parts concurrently and reduce the F/A-18 initial provisioning cost.

Agency Comments/Action

DOD, in August 1980, only agreed to take action on four of the recommendations. It agreed to: (1) evaluate the merits of using multiport test equipment, consolidating avionics repair facilities, and increasing the size of squadrons; and (2) reevaluate the spares acquisition policies. DOD has only completed the spares policies reevaluation to date (September 1981). This reevaluation resulted in the Secretary of Defense directing the Navy to buy F/A-18 spares concurrently with production components. The estimated savings of this move is $250-$330 million.

Appropriations

Operation and maintenance - Navy

Appropriations Committee Issues

Reducing operating and logistic support costs of military weapons systems is a key issue for both House and Senate Appropriations Committees.

DEPARTMENT OF DEFENSE - MILITARY

SUPPORT FUNCTIONS

F-16 Integrated Logistics Support: Still Time To Consider Economical Alternatives (LCD-80-89, 8-20-80)

Departments of Defense and the Air Force

Budget Function: National Defense: Weapons Systems (0057)

The F-16 aircraft is being developed in a cooperative undertaking between the United States and four European North Atlantic Treaty Organization countries. The current program provides for coproduction of 1,113 aircraft. An integrated logistics support (ILS) plan was developed to coordinate and control the logistics tasks necessary to support the aircraft, but the plan has had little influence on subsystem selections and support because: (1) the F-16 was a prototype program and integrated logistics support was not included in the prototype contract; and (2) the first ILS plan was not final until 10 months after the aircraft entered full-scale development.

Findings/Conclusions: GAO found that the Air Force could save $56 million in avionics equipment by centralizing intermediate maintenance in Europe and the United States. Centralization would also reduce requirements for personnel, equipment, and facilities. A Memorandum of Understanding (MU) with the European participating governments (EPG) commits the United States to having Europeans do depot repair for the F-16 aircraft in Europe. The Air Force provides a 10-percent backup aircraft inventory for depot maintenance and modification. However, GAO questions the need for this number of backup aircraft because the F-16 was designed to eliminate planned depot maintenance and overhaul. Reducing the inventory could save up to $1.4 billion. Although the Air Force researched the benefits of simulation over conventional hardware before deciding to buy the simulated aircraft maintenance trainer (SAMT), it did not adequately consider training alternatives in the event the delivery of the simulator was delayed. Portions of the pilot training equipment of the F-16 are still being developed and, as a result, the Air Force planners did not know exactly how often these trainers would be used. Many F-16 technical orders, which explain how to install, operate, and repair aircraft and related equipment before the maintenance work can be done, were not usable. The F-16 ILS plan did not include the time needed to design and fabricate mobile shelters to deploy avionics test equipment and had not been updated to show the new leadtimes needed.

Recommendations: The Secretary of Defense should direct the Air Force to: (1) centralize F-16 intermediate maintenance; (2) accelerate negotiations with the EPG's to determine if and how much U.S. depot repair will be done in Europe to meet the MU commitments; (3) reexamine the potential value, volume, and availability of EPG depot support before purchasing additional test equipment; (4) reexamine the need for backup aircraft inventory; (5) promptly resolve the operational uncertainties of the SAMT program; (6) provide contingency plans in case delivery of the SAMT is delayed further; (7) assess the cost/benefit of buying a weapon system trainer for every F-16 base; (8) provide sufficient resources to the validation and verification of technical orders to eliminate problems created by lateness and poor quality; (9) improve current systems of quality assurance by requiring more frequent comprehensive inspections and in-process reviews before delivering technical orders to the Air Force for verification; (10) establish a timetable for F-16's to get war readiness spares into the system for deployment; (11) accelerate completion of the mobile shelters as necessary to ensure protection of maintenance equipment when the F-16's are deployed; and (12) update the ILS plan to reorganize leadtimes required to ensure availability of facilities to support aircraft.

Agency Comments/Action

DOD disagreed with the recommendations that the Air Force (1) centralize F-16 intermediate maintenance; (2) reexamine the need for backup aircraft inventory; (3) assess the cost/benefit of buying a weapon system trainer for every F-16 base; and (4) establish a timetable for F-16's to get war readiness spares into the system for deployment. DOD made no specific comments on the other recommendations other than to say that the Air Force previously has identified the F-16 logistics areas discussed as requiring management attention.

Appropriations

Operation and maintenance - Air Force

Appropriations Committee Issues

The Committees should consider: (1) the possible reduction in the number of weapon system trainers needed--unit cost of $65 million; (2) the potential for savings in facilities if intermediate repair is centralized--$5.3 million savings if only three aircraft wings are consolidated; (3) the questionable need for a 10-percent backup aircraft inventory amounting to 110 F-16's--savings could be as much as $1.4 billion; and (4) the potential for saving $56 million in avionics equipment if intermediate maintenance is centralized.

SUPPORT FUNCTIONS

Defense Needs Better System for Assuring Adequate Security at Reasonable Cost on U.S. Bases (PLRD-81-1, 3-6-81)

Departments of Defense and the Army

Budget Function: National Defense: Department of Defense - Procurement & Contracts (0058)
Legislative Authority: Internal Security Act of 1950.

The military services spend enormous amounts of money annually for people, equipment, research, and for programs to upgrade facilities to maintain the physical security of military people and equipment. An evaluation was performed of the system for providing physical security at U.S. military bases.

Findings/Conclusions: Although the Deputy Under Secretary of Defense for Policy Review has the authority and responsibility to establish uniform physical security policy, the Department of Defense (DOD) and its Physical Security Review Board have not taken an active role in providing guidance except for a few highly sensitive assets such as nuclear weapons. The design of security programs for all other assets is left to the services and local commands. This approach does not ensure consistent coverage of similar assets or proper emphasis on the most appropriate assets. No specific efforts are being made within DOD or among the services to ensure that proper physical security is provided at a reasonable cost. As a result, protective measures at many locations appear unneeded or questionable considering the cost and the degree of protection provided. In view of the enormous cost of protection, the disparate and independent approaches taken to provide security by the services and bases, and the questionable need for security people and equipment at many locations, an established management system within DOD or among the services would appear to offer opportunities to assure adequate protection at a reasonable cost.

Recommendations: The Secretary of Defense should establish a management system for effectively achieving protection at reasonable cost and consider intensively monitoring the services' operation and management of physical security to ensure a more economical and efficient program. The Secretary of Defense should establish a management system for effectively achieving protection at a reasonable cost and consider expanding the roles and tasks of the Office of Security Plans and Programs and/or the Physical Security Review Board to include a wider spectrum of physical security matters. These roles and tasks should include determining what factors should be considered in tradeoffs among protective measures; whether the individual services' overall management structures are appropriate; and whether base-level security plans should be more uniform, formally documented, and reviewed by services' major commands and headquarters. The Secretary of Defense should direct the service Secretaries to rejustify, substantially reduce, or eliminate the (1) Marine guards at the Armed Forces Staff College; (2) Army military police at Davison Army Airfield, Fort Myer, and Fort McNair; (3) Air Force's installation of any additional dual intrusion detection sensors in conventional munition storage areas; (4) civilian guard contract at Fort Bragg's ordnance storage area; (5) planned installation of intrusion detection equipment at Fort Bragg's ordnance storage area; and (6) installation of door and ignition locks on Army helicopters. The Secretary of Defense should establish a management system for effectively achieving protection at a reasonable cost and consider establishing more uniform Defense-wide physical security policies and standards.

Agency Comments/Action

DOD did not agree with the GAO proposals. It stated that it has established standardized security requirements for certain critical and particularly important items and is gradually expanding its guidance to cover certain other highly sensitive assets. DOD believed its incremental approach has resulted in meaningful improvements, and it proposed to continue its approach. DOD believed Congress intended that military commanders have broad authority over property and assets under their control. Centralizing security guidance and standards at the DOD level would nullify that intent and would be micromanagement.

Appropriations

Operation and maintenance - Army

Appropriations Committee Issues

Because of the importance and enormous cost involved in providing proper security, more management guidance and attention, including periodic feedback, is needed at the DOD level.

DEPARTMENT OF DEFENSE - MILITARY

SUPPORT FUNCTIONS

Allegations of Improper Procurements by Army Metrology and Calibration Center (PLRD-81-16, 4-3-81)

Departments of Defense and the Army

Budget Function: National Defense: Department of Defense - Procurement & Contracts (0058)

GAO reviewed allegations by Julie Research Laboratories that operations at the U.S. Army Metrology and Calibration Center were inefficient and wasteful and that the Center's procurement practices were restrictive.

Findings/Conclusions: GAO found that: (1) the Army, contrary to what it told Julie Laboratory, has both laboratory and field requirements for automated calibration equipment; and (2) the Army's technical evaluations of Julie Laboratory's equipment appear to be based on some questionable conclusions and assumptions and largely ignore favorable impressions by Army representatives who saw the equipment in operation. The Army's assertion that Julie Laboratory's system is not unique or new to the industry nor state of the art is inconsistent with reports from system owners. Neither Julie Laboratory nor the Army performed operational testing of the system in a mobile van. GAO could not verify the Army's or Julie Laboratory's cost analyses because both used estimated workload data and other unsupported assumptions. The Departments of Defense and the Army need to reexamine the field Army requirements for calibration equipment and need to test various equipment in the operating environment.

Recommendations: The Secretary of Defense should require that an independent hardware demonstration be conducted to establish the cost effectiveness and productivity increases that may be attributed to automating the field Army calibration functions. The Secretary of Defense should direct the Secretary of the Army to: (1) develop accurate workload data on field Army calibrations because reliable data are needed to validate equipment requirements; and (2) reexamine equipment capabilities to determine the extent to which automated equipment can replace manual equipment in field Army calibration units.

Agency Comments/Action

The Secretary of the Army commissioned the Inspector General to make an inquiry regarding Army procurement of calibration systems. Also, the Army has requested the Air Force's assistance with a critical, independent, technical review of the Army's calibration program.

Appropriations

Operation and maintenance - Army

Appropriations Committee Issues

The Committees should determine if the Army has sound justification for its calibration equipment requirements and that funds will not be applied to equipment purchases that are not cost effective.

DEPARTMENT OF DEFENSE - MILITARY

SUPPORT FUNCTIONS

Weaknesses in Negotiating Rates and Services for Commercial Containerized Sealift (PLRD-81-27, 4-28-81)

Departments of Defense and the Navy

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)

Containerized service, or containerization, is a relatively recent innovation in shipping which allows the loading of cargo into intermodal containers for shipment from source to user over several modes of transportation without intermediate rehandling. Containerization is the principal means by which the Department of Defense (DOD) supplies its forces overseas. GAO reviewed the Military Sealift Command's (MSC) management of commercial containerized sealift service and the process of negotiating rates for such service to determine: (1) how well MSC was obtaining rates and services for meeting DOD shippers' container requirements, (2) whether the present system of procurement was effective in getting the lowest and most advantageous rates, and (3) if MSC adequately considered the needs of DOD shippers and the ability of the ocean carriers to offer such rates.

Findings/Conclusions: Currently MSC bases its competition on largely unknown requirements and refuses to allow carriers to bid for specific traffic. It also fixes the bids for arbitrary timeframes. Thus, rates are not based on anticipated demand for service, but on the carriers' guess. MSC buys containerload transportation from ocean carriers from a specific point to another point over a given route. Carriers are asked to submit rates for routes over which they have no idea of the intended volume or how much a particular traffic pattern might yield in terms of revenue. This results in a series of unilateral rate offers which may yield carriers substantial revenues or none at all. Every 6 months, MSC asks for or allows carriers to rebid rates for service they plan to offer to give carriers a chance to change any one or a combination of factors which affect the rates. While MSC is supposed to negotiate for relief when it feels the rates are too high, the present system merely forces the carriers to hold their rates for 6 months and then allows them to rebid. GAO found no indication that the constant renegotiation by MSC has lead to stabilized rates or to lower rates. The rates have been steadily increasing over the last 5 years, and nothing in the present MSC system of negotiations suggests that MSC will alter that trend through its negotiation system.

Recommendations: The Commander of MSC should make the shippers' requirements known to the carrier industry. The Commander of MSC should review the shippers' data to establish what DOD shipping patterns exist. The Commander of MSC should solicit rates that would meet the DOD shipping patterns in detail. The Commander of MSC should retain the rates solicited until circumstances or events dictate they should be renegotiated. The Commander of MSC should allow shippers to choose other than the carriers MSC would otherwise choose for them, and allow MSC to charge the shippers for the higher cost service. The Commander of MSC should negotiate rates based on weight or a combination of weight and cube in order not to penalize shippers whose cargo could fit into small containers, but for carrier problems must use larger containers. The Commander of MSC should canvas each of its shippers to identify, in terms of origin/destination, volume of cargo over time and per container, and type of cargo, what their specific requirements are.

Agency Comments/Action

MSC did not generally concur in the findings or recommendations. It said that it would, however, continue to work to improve the containerized cargo shipment system in every way possible to provide responsible service to the shippers and obtain services at the least cost to the Government.

Appropriations

Operation and maintenance - Army, Navy, Air Force

Appropriations Committee Issues

The Committees should ensure that MSC is working in the direction of minimizing shipping costs. It should request MSC to support its contention that its present evaluation system ensures the lowest cost rates to DOD.

SUPPORT FUNCTIONS

Logistics Planning for the M1 Tank: Implications for Reduced Readiness and Increased Support Costs (PLRD-81-33, 7-1-81)

Departments of Defense and the Army

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)

Integrated logistics support (ILS) is the approach to weapons systems development which attempts to link development and production to deployment and operation. GAO examined the M1 tank ILS planning and strategies to: (1) identify options for improving the M1 ILS program, (2) determine whether the implementation of current planning strategies will provide adequate logistics support, and (3) evaluate alternative logistics strategies which could more economically provide effective logistics support. The review was undertaken in response to growing congressional concern over the support costs for weapon systems which have been drastically increasing while recently fielded systems are not achieving required operational readiness.

Findings/Conclusions: ILS has not been adequate or timely for the M1 tank program. Although recent planning efforts have improved, many supportability questions remain and opportunities exist to reduce M1 support costs. M1 program emphasis has been on achieving established design-to-cost objectives and fielding a tank within a 7-year development cycle. As a consequence of this program momentum, there was little early emphasis on logistical support and life-cycle cost issues. The ongoing DOD operational and developmental M1 testing is supposed to provide the data needed to answer questions on operational supportability. However, GAO believes that emerging results from current testing raise serious doubts that the M1 will be proven supportable before full production and fielding decisions are made. GAO is concerned that the past momentum of the M1 program will push the program forward even though many supportability issues remain. DOD believes that the M1 is supportable and that the current testing will provide adequate supportability information on which to base a sound full production and fielding decision in September 1981. GAO believes that improvements can be made in evaluating test data to measure supportability better and to provide better data on which to base upcoming production and fielding decisions. Also, information on the M1 supportability and the potential that insufficient data will be available to support the upcoming M1 program decisions should be made available to Congress.

Recommendations: The Secretary of Defense should support the life-cycle cost reduction programs during future program and budget reviews. The Secretary of Defense should direct the various DOD components to implement effective life-cycle cost reduction programs. The Secretary of Defense should require the Secretary of the Army to expedite the development of in-house depot level capability for the M1. The Secretary of Defense should require the Secretary of the Army to conform M1 technical manuals to the skill performance aid standards and adequately validate them before fielding. The Secretary of Defense should direct the Secretary of the Army to reevaluate the number of training tanks used in the M60 program and projected for the M1 program or reallocate them to operational needs. The Secretary of Defense should require the Secretary of the Army to increase support for the testing and evaluation of M1 test sets and technical manuals to develop them sufficiently to support maintenance activities in the field. The Secretary of Defense should direct the Secretary of the Army to determine if M1 training devices can be used more effectively by, for example, using them more than 40 hours a week and/or consolidating them in nearby areas. The Secretary of Defense should increase support for the M1 reliability and maintainability improvement programs, recognizing the potential to increase operational readiness and decrease future operational support costs through implementation of an effective life-cycle cost reduction program. The Secretary of Defense should require the Secretary of the Army to quantify and evaluate the potential impact, in terms of increased support costs, retrofit costs, reduced operational readiness capability, etc., of producing and fielding the M1 with currently demonstrated levels of reliability, availability, maintainability, and durability. The Secretary of Defense should require the Secretary of the Army to conform M1 test sets and manuals with M1 hardware configurations and develop maximum tank standardization to mitigate the support problems inherent in multiple M1 configurations. The Secretary of Defense should require the Secretary of the Army to implement M1 equipment design and logistics support alternatives, which could support readiness goals and reduce life-cycle costs. Evaluation of alternatives should include wiring harnesses, alternators, and other items discussed in this report. The Secretary of Defense should quantify (in terms of increased maintenance costs and reduced operational readiness) the effects of fielding the M1 system at its current level of maturity or delaying the program. The Secretary of Defense should provide information to key congressional committees on the M1's logistics burden. The Secretary of Defense should require the Secretary of the Army to provide sufficient program resources, including a prototype vehicle, if needed, and direct increased management attention to the development of technical manuals and test equipment during prototype development in future programs. The Secretary of Defense should require the Secretary of the Army to make a configuration audit to identify incompatibilities between spares and tank production components and ensure that overhaul, retrofit, or other appropriate actions are taken, as needed, to provide conformance. The Secretary of Defense should require the Secretary of the Army to establish additional criteria (at the system and subsystem levels) for evaluating tests that place greater emphasis on operational effectiveness measures and assessment of future support costs. This criteria should include goals and thresholds for logistics burden and operational availability. The Secretary of Defense should require the Secretary of the Army to reevaluate current M1 program plans for increasing production capacity, monthly tank production goals, deployment to Europe, and acquisition of long lead production items and spare parts, considering the current level of design maturity of the tank and its support system, tank production, quality control problems, and other factors. The Secretary of Defense should require the Secretary of the Army to direct that maintenance planning in future development programs be adequately done to minimize design-dictated maintenance, to ensure cost-effective field repair capability, and to provide timely transition from contractor depot support to in-house capability. The Secretary of Defense should require the Secretary of the Army to increase support for the development, testing, and evaluation of M1 maintenance capability at all levels to identify deficiencies in the tank hardware or its support system which will result in increased maintenance cost or decreased operational readiness and initiate corrective action as required. The Secretary of Defense should require the Secretary of the Army to validate test set requirements to ensure that (1) sufficient numbers of units will be available to support initial deployment without adversely affecting training and testing; and (2) long-term test set requirements are based on realistic factors (maintenance, staff-hours, etc.) and sufficient test sets will be available to provide operational readiness. The Secretary of Defense should require the Secretary of the Army to implement alternative procurement strategies, including phased provisioning, to ensure that future spare and repair parts are procured using the most cost-effective methods, consistent with the level of maturity of the tank and required technical data. The Secretary of Defense should require the Secretary of the Army to update M1 technical documentation to the most recent production tank configuration, making appropriate adjustments in documentation to reflect configuration deviations, and direct that changes to technical documentation, reflecting future tank modifications, are processed promptly. The Secretary of Defense should require the Secretary of the Army to reevaluate M1 requirements for spare and repair parts and proposed delivery schedules based on a realistic assessment of current program data. The reevaluation should determine that sufficient, but not excessive, parts are provisioned in view of such factors as design maturity, the maintenance plan, failure rates of parts, and tank production schedules.

Agency Comments/Action

DOD concurred with the GAO recommendations and stated that numerous steps were being taken to resolve or minimize the impact of the problems identified by GAO. The Army stated that it was committed to proceeding with M1 production buildup and deployment plans while recognizing the near-term potential for supportability problems.

Appropriations

Procurement - Army

Appropriations Committee Issues

Because of the serious logistic support deficiencies, the M1 tanks may experience reduced operational readiness and increased maintenance costs. Congress should closely monitor the impact of fielding the M1 tank at its current level of maturity on logistics costs and operational readiness. Additionally, the M1 illustrates the need for Congress to assure that logistics are being given adequate consideration in the acquisition process to avoid excessive or unnecessary future operations and maintenance expenditures.

DEPARTMENT OF DEFENSE - MILITARY

SUPPORT FUNCTIONS

Logistics Concerns Over Navy's Guided Missile Frigate FFG-7 Class
(PLRD-81-34, 7-7-81)

Departments of Defense and the Navy

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)

GAO evaluated the integrated logistics support planning for the Navy's guided missile FFG-7, a new class of ocean escort ships designed to operate in areas of low enemy threat.

Findings/Conclusions: Integrated logistics support planning for the FFG-7's was designed to reduce the number of shipboard personnel needed and to increase ship availability. To achieve these objectives, several new approaches to logistics support were developed. The planning process for developing these strategies has been comprehensive. However, it could have been improved by keeping logistics plans up to date, estimating costs of logistics support strategies, and applying analytical approaches to developing logistics support requirements earlier in the acquisition process. The FFG-7 maintenance plan is centered around a new approach called progressive overhaul, which relies heavily on the removal and replacement of certain equipment at predetermined intervals and short and intensive periodic maintenance actions. The plan's success is strongly dependent on the effective implementation of various logistics strategies. Potential obstacles which threaten the success of the FFG-7 class strategies include: lack of skilled personnel aboard the ships and at maintenance facilities, the inability to accurately forecast material requirements for planned maintenance actions, and the need for a timely and accurate system for accomplishing and monitoring the maintenance plan. The Navy needs to determine whether the use of reliability centered maintenance can reduce intermediate and depot maintenance costs. GAO found that inventory being stocked to support intermediate maintenance activities appears to be excessive. The Navy will have difficulty providing properly skilled enlisted personnel to man the ships.

Recommendations: The Secretary of Defense should direct the Secretary of the Navy to make greater use of reliability centered maintenance if it can reduce maintenance costs for the FFG-7 class ships at the intermediate and depot levels. The Secretary of Defense should direct the Secretary of the Navy to develop specific policies on using reliability centered maintenance in maintenance planning for future ship construction. The Secretary of Defense should direct the Secretary of the Navy to consider the replacement frequency of end equipment in determining FFG-7 class shipboard spare parts allowances. The Secretary of Defense should direct the Secretary of the Navy to improve the accuracy of the system used to identify planned material requirements for the FFG-7's. The Secretary of Defense should direct the Secretary of the Navy to reconsider previously rejected cost-benefit decisions for ship design and equipment alternatives to reduce crew requirements. The Secretary of Defense should direct the Secretary of the Navy to revalidate FFG-7 class crew requirements after new logistics support strategies are implemented. The Secretary of Defense should direct the Secretary of the Navy to develop an action plan for overcoming shipboard personnel quality shortages on FFG-7 class ships. The Secretary of Defense should direct the Secretary of the Navy to reassess stockage of the same items in colocated geographic and corrective maintenance stocks to avoid unnecessary duplication.

Agency Comments/Action

DOD agreed with most of the GAO recommendations. However, it did not agree that there may be excessive inventories or that it should reevaluate cost-benefit decisions on ship and equipment design to reduce crew requirements.

Appropriations

Procurement - Navy
Shipbuilding - Navy
Operation and maintenance - Navy

Appropriations Committee Issues

The Committees should consider the need for more effective logistic planning during the acquisition process to reduce support costs and improve operational readiness of newly deployed weapon systems.

DEPARTMENT OF DEFENSE - MILITARY

SUPPORT FUNCTIONS

Less Costly Ways To Budget and Provision Spares for New Weapon Systems Should Be Used (PLRD-81-60, 9-9-81)

Departments of Defense, the Navy, the Army, and the Air Force

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)
Legislative Authority: DOD Instruction 4140.42.

GAO reviewed the budgeting and provisioning procedures employed by the Army, Navy, and Air Force for spare parts for new weapon systems. GAO initiated the review of spare provisioning for new aircraft and helicopters in response to: (1) congressional concern about the low readiness rates of new aircraft being deployed because of a lack of spare parts; (2) previous GAO reviews which discussed both the excesses and shortages of aircraft spares; and (3) broad congressional interest in reducing the life cycle costs of major weapon systems.

Findings/Conclusions: While funding for the investment spares needed to initially support new aircraft and helicopters being fielded is requested by the weapon system, the majority of investment spares needed to support follow-on buys are consolidated and requested as replenishment spares. This split budgeting for similar items does not give Congress the visibility it should have on total aircraft or helicopter system costs. When the delivery time for a part is long, a contractor can order it in advance so that it will be available for the production line. However, Department of Defense (DOD) policy greatly inhibits the services from advance ordering the same part when it is to be used as a spare. Combined purchasing offers large potential savings from economies of scale, insures that spares are delivered in the same configuration as those on the aircraft to be supported, and improves early support of new systems. The services buy spares based on engineering estimates. However, the underlying reason behind the amount purchased appears to be the amount of money available. While there may have been sound management reasons for the stock levels, the services need to better justify the stock levels to be used. In addition, the services need to comply with DOD policy to minimize the investment cost of initial spares. Advantages of high stock levels, in terms of increased support or possibly reduced costs, should be better justified, recognizing the potential consequences. The services could also reduce the range of spares by using phased provisioning more often, a technique that DOD encourages.

Recommendations: The Secretary of Defense should direct the services to use the phased provisioning concept as was recommended by the Defense Audit Service. The Secretary of Defense should amend the DOD policy on the use of advanced funding and allow its use for spare parts to take advantage of combined purchases of spare parts with production components. The Secretary of Defense should direct that other systems be evaluated for potential use of the combined purchasing concept and request the money needed to use the concept. The Secretary of Defense should require that the services better justify how their levels of initial provisioning of spares meet DOD policy on minimizing initial investment costs. The Secretary of Defense should redefine, for budget purposes, initial spares to include all spares needed to field a weapon system and provide a breakdown of the initial spares budget request in more descriptive categories, such as "investment spares" (peacetime and war reserve shown separately) and "spare engines." The Secretary of Defense should review and revise DOD guidance on using operational demand data to: (1) clarify language that could result in differing interpretations; and (2) require that the services establish demand development periods as early as possible and start using operational demand data after 6 months to adjust requirements computations. The Secretary of Defense should, in submitting budget requests for major weapon systems, show total spare needs by weapon system.

Agency Comments/Action

DOD commented that the report should help improve the initial spare parts budgeting process and ongoing efforts to increase the visibility of the cost of fielding weopons systems. DOD generally agreed with most of the GAO draft report proposals except for the one recommending early use of operational demand data, which GAO believes DOD misunderstood.

Appropriations

Operation and maintenance - Army, Navy, Air Force

Appropriations Committee Issues

Reducing operating and logistic support costs of military systems is a key issue for both the House and Senate Appropriations Committees.

DEPARTMENT OF DEFENSE - MILITARY

SUPPORT FUNCTIONS

Expanding the Efficiency Review Program for Commercial Activities Can Save Millions (FPCD-81-77, 9-30-81)

Department of Defense

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)
Legislative Authority: OMB Circular A-76.

GAO completed a limited survey of the Department of Defense (DOD) program to increase the efficiency of some in-house commercial or industrial-type activities.

Findings/Conclusions: The efficiency review program saves money each year by developing and applying performance standards that eliminate unnecessary and inefficient work practices. Before a commercial activity can be converted from in-house to contract operations, or maintained in-house, the Office of Management and Budget Circular A-76 requires agencies to compare costs to determine the most economical source of performance and to review in-house commercial activities to insure that they are organized and staffed for the most efficient performance. DOD has completed more efficiency reviews of commercial activities than any other Federal agency. However, about 80 percent of the DOD 15,000 commercial activities are exempt from the program because efficiency reviews are triggered by a requirement to perform a cost comparison which is required only when it is feasible to convert a commercial activity to a contract operation. GAO believes that DOD could save an additional $350 million by expanding the scope of its program to include these activities. By limiting the efficiency review program to only those commercial activities that can be operated by contractors, DOD has yet to realize the full savings possible from this cost-reduction program. The commercial activities that must continue to be performed in-house present an important opportunity for additional savings.

Recommendations: The Secretary of Defense should require the military services to conduct efficiency reviews and develop and apply performance work statements for those commercial activities that must remain in-house.

Agency Comments/Action

Agency comments were unavailable as of October 20, 1981.

Appropriations

Military personnel - Army, Navy, Air Force

DEPARTMENT OF DEFENSE - MILITARY

TRAINING

The Army Needs To Improve Individual Soldier Training in Its Units (FPCD-81-29, 3-31-81)

Departments of Defense and the Army

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)
Legislative Authority: P.L. 96-226.

In an attempt to reduce training costs and make training programs more specific, the Army has shifted its emphasis from the formal school environment to the operating unit and designated specific tasks to be taught at each level. Most training now takes place in Army units. Because of the growing concern about the training capability of the Army and the need to assess the fundamental policy changes of the training philosophy, GAO conducted a review of Army training. GAO reviewed the Army's individual skill training programs at 15 active units and administered questionnaires to soldiers throughout the Army.

Findings/Conclusions: Army trainers have been provided guidance which specifies what tasks soldiers must know as well as the performance conditions and standards for each task. However, the trainers are not teaching soldiers all tasks the Army considers critical for proper job performance and survival in combat. The Army has announced a series of programs designed to improve individual skill training effectiveness. GAO found that soldiers are not being fully trained because: (1) individual skill training does not receive enough emphasis at the battalion and company levels; (2) unit commanders do not take advantage of all available time to provide individual skill training; (3) aids specifically designed to enhance training are not used as extensively as they should be; (4) there is a shortage of experienced trainers; (5) personnel are constantly being rotated in and out of units; and (6) equipment, ammunition, and other training items often are not available for use in training. The Army should require specific and immediate action to improve unit level programs. The management oversight of training programs needs strengthening and the Army training philosophy should be evaluated.

Recommendations: The Secretary of the Army should determine ways existing resources, including noncommissioned officers (NCO's), can be better used to improve training. More specifically, alternative management techniques should be identified to reduce personnel turbulence, consolidate training to make better use of experienced trainers, and more rapidly prepare young NCO's to be effective trainers. The Secretary of the Army should insure that the Army implements an effective individual skill training program. GAO believes this can best be accomplished by requiring an independent organization to perform periodic assessments of training effectiveness within the Army and encourages the Secretary of the Army to consider using the Army Audit Agency for such assessments. The Secretary of the Army should emphasize to Army commanders the importance of unit skill training and the commanders' responsibilities for providing skill training to enlisted personnel. Further, the Secretary should require commanders at the battalion level and above to better monitor skill training in their subordinate units to insure that primary trainers: (1) use Soldiers Manual as their program criteria; (2) develop a training plan which provides for training in all Soldiers Manual tasks; (3) maintain job books for the soldiers they supervise so that training needs are documented; (4) use training extension course lessons in their training programs; (5) incorporate individual training into all phases of unit activity and make use of available slack time to provide opportunity training; and (6) use job books, skill qualification test results, and Soldiers Manuals to develop training programs which provide training in those tasks where additional work is needed. The Secretary of the Army should take action to see that the Office of the Deputy Chief of Staff for Operations and Plans establishes a more effective Army-wide system to monitor the accomplishment of skill training provided to enlisted personnel. As a part of this oversight system, the Department of the Army should encourage division level Inspectors General (IG) to perform systemic evaluation of all skill training effectiveness at the company/battery level and require personnel at the Department of the Army IG office to independently monitor skill training effectiveness, both from a resource constraint standpoint and from a management effectiveness standpoint. The Secretary of the Army should require the Army Training and Doctrine Command (TRADOC) to evaluate fully the current individual skill training doctrine. To implement the most effective doctrine, TRADOC must fully evaluate the quality of school training, the proficiency of school graduates in terms of operational unit needs, and the effectiveness of individual training in operational units. The results of this evaluation should be used to determine whether the present decentralized training concept is the best method for the Army to use or whether additional training in the formal school setting should be initiated. The Secretary should require TRADOC to evaluate the effectiveness of the Battalion Training Management System. Such an evaluation is essential in light of the importance of the system goals.

Agency Comments/Action

The Department of the Army agreed with the GAO recommendations and initiated programs that directly address weaknesses detected in individual training conducted in units. It emphasized that the basis of the training weaknesses continues to be shortages of qualified trainers.

Appropriations

Operation and maintenance - Army

DEFENSE-RELATED ACTIVITIES

ACCOUNTING SYSTEMS

Federal Budget Outlay Estimates: A Growing Problem (PAD-79-20, 2-9-79)

Department of Defense

Budget Function: Impoundment Control Act of 1974 (1005)
Legislative Authority: Congressional Budget and Impoundment Control Act of 1974.

Federal budget outlay estimates generally swing between longfalls, or underestimates in the budget year, and shortfalls, or overestimates in the current year. The budget year estimates reflect the administration's concern about the growing deficit and the need to hold down spending. The shift to a shortfall, or overestimate in the current year's estimates (12 months later), reflects the administration's assessment of actual financial needs to carry out legislation enacted by Congress. The estimating process is flexible and changing and can be influenced by a number of variables. Many of these variables are uncontrollable, such as historic upward bias (the past tendency to overestimate). Budget data must be accurate to be useful and controllable factors should be of concern to improve outlay estimates.

Findings/Conclusions: As a result of increased interest in outlay estimates, both the Office of Management and Budget (OMB) and the Congressional Budget Office are striving to achieve more accurate estimates. GAO found that $76.4 billion in outlays was not included in fiscal year 1977 Government-wide net outlays of $402.8 billion. These outlays included both offsets from collections and receipts from business transactions with the public and outlays of off-budget Federal entities. Estimates of offsetting collections and offsetting receipts have not been reliable. The current method of presenting these transactions as offsets against budget authority and outlays distorts budget numbers and makes the budget unnecessarily complex.

Recommendations: The Director of OMB should make further efforts to improve outlay estimates by: establishing criteria for acceptable levels of accuracy for estimates, to be used as a guide in defining significant variances to be pursued; comparing actual outlays to estimates and providing a detailed explanation annually concerning those accounts in which there were significant variances; identifying corrective action to improve estimates in future years when such action is feasible; making information on variances and related corrective action available to congressional users and including it in budget justifications where appropriate; applying early efforts in goal setting and variance analysis toward accounts with the largest outlays; and requiring each agency to document the procedures used to develop outlay estimates, including documenting assumptions and subjective modifications made by reviewing officials. The Director should also: change the presentation of offsetting collections from non-Federal sources and offsetting receipts from the public by including them in revenue totals and by not subtracting them from budget authority and outlays; include offsetting collections and offsetting receipts from off-budget agencies under revenues and not subtract them from budget authority and outlays; and apply the recommendations set forth to improve outlay estimates to estimates of offsetting collections and offsetting receipts.

Agency Comments/Action

OMB response to this report agreed that problems on outlay estimating have existed and stated that OMB will continue to work toward the further improvement of outlay estimates. However, OMB was very negative in its response to the report and stated that it "makes recommendations that, if adopted, would do nothing to improve our ability to estimate outlays." In contrast, OMB stated in the enclosure to its letter that it is already taking the recommended action in some form or to some extent in responding to five of the nine recommendations. Two of the GAO recommendations related to changing the presentation of offsetting collections and offsetting receipts from the public and to the treatment of off-budget agencies. OMB has resisted these recommendations directed toward elimination of undesirable distortions and complexity in the budget presentation for some time.

Appropriations

Federal budget outlay estimates - Government-wide

Appropriations Committee Issues

The Committees should consider the continuing need to improve the accuracy of outlay estimates and to provide a more complete and accurate reporting of Federal budgetary information.

DEFENSE-RELATED ACTIVITIES

ACCOUNTING SYSTEMS

Defense's Accounting for Its Contracts Has Too Many Errors--Standardized Accounting Procedures Are Needed (FGMSD-80-10, 1-9-80)

Departments of Defense, the Army, the Navy, and the Air Force

Budget Function: Financial Management and Information Systems (1100)
Legislative Authority: Antideficiency Act (31 U.S.C. 665). Budget and Accounting Procedures Act of 1950 (31 U.S.C. 66). Arms Export Control Act (22 U.S.C. 2762).

The Department of Defense (DOD) devised the Military Standard Contract Administration Procedures in 1966 to facilitate uniform contract administration of DOD contracts by exchanging contract administration data in automated form among the military services and Defense Contract Administration Services regions. It is the responsibility of these regions to administer most DOD contracts and to ensure that the unnecessary duplication of contract management functions are eliminated. As of March 30, 1979, the regions were acting as this middle manager between the Government buyer and DOD contractor for 250,000 contracts valued at $73 billion. A review of 8 of the 48 DOD organizations heavily involved with contract management focused on the Standard Procedures which required uniform coding and processing of financial data.

Findings/Conclusions: Although the Administration Procedures were to have been implemented by 1970, this goal has still not been fully achieved, thus resulting in numerous clerical errors in interpreting a variety of nonstandard forms, codes, and financial transactions. Nonstandard contract accounting procedures used by DOD components cause substantial errors in reporting, recording, and controlling contract financial data, at a cost of millions of dollars in unnecessary personnel and other costs due to duplication of accounting functions. While DOD officials have resisted implementation of the Procedures, GAO estimated that their full implementation and elimination of duplicate operations at the eight locations alone could reduce DOD costs by up to $2.7 million annually. Accounting errors of over $90 million were identified on 286 of the 856 transactions reviewed for 26 contracts.

Recommendations: The Secretary of Defense should require the Defense Contract Administration Services regions to assure the accuracy of the financial transactions processed and sent to the military services. He should also require the implementation of the Military Standard Contract Administration Procedures in all Defense systems involved with contract accounting and management, and direct the Assistant Secretary of Defense (Comptroller) to require specific timetables from the military services on implementation dates for the Military Standard Contract Administration Procedures. The Comptroller also should actively monitor the implementation and require corrective action, when necessary, to ensure timely, effective implementation.

Agency Comments/Action

DOD has implemented some segments of the Military Standard Contract Administration procedures and is testing implementation of other segments of the procedures.

Appropriations

Contract accounting and administration - Army, Navy, Air Force, Defense Contract Administration Services

Appropriations Committee Issues

The Committees should determine the status of DOD actions to reduce duplicate operations and prevent millions of dollars in accounting errors.

DEFENSE-RELATED ACTIVITIES

ACCOUNTING SYSTEMS

The Marine Corps Military Pay System: Too Many Errors and Inefficiencies (FGMSD-80-49, 6-10-80)

Department of Defense and United States Marine Corps

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101)
Legislative Authority: Accounting and Auditing Act. DOD Instruction 7330.3. DOD Instruction 7330.4.

As part of an effort to determine whether executive departments and agencies have adequate accounting control over payroll systems, a review was made of the Joint Uniform Military Pay System/Manpower Management System. The System is the combination of the former Marine Corps Joint Uniform Military Pay System and the Manpower Management System. The primary purposes of the automated system were to provide: adequate service to members; the maximum practicable uniformity between the services; centralized and computerized pay account maintenance; and optimum support of planning, programming, and budgeting systems.

Findings/Conclusions: The Marine Corps spent millions of dollars in developing, implementing, and operating the system. However, records of these costs were not kept and procedures for measuring system effectiveness were never established. Therefore, Marine Corps and Defense management do not know how much has been spent, what economic benefits have been gained, or to what extent system goals and objectives have been met. Since the system is not reliable enough to centrally compute pay accurately, extensive and inefficient manual procedures are necessary to verify the accuracy of pay. As a result, manual procedures, rather than the automated system, constitute the real pay system. There are basic system weaknesses on the part of management which need to be corrected.

Recommendations: The Secretary of Defense should direct the Commandant of the Marine Corps to: (1) establish a single manager who will be clearly responsible for the system's performance; (2) establish measurable goals and objectives for improving timeliness and accuracy of the system; (3) require that internal auditors periodically report to top management on the progress being made toward meeting system goals and objectives; (4) identify, through improvement of reporting procedures, those organizations which submit untimely and erroneous pay data, and take corrective action; (5) identify, document, and correct software deficiencies; (6) establish a task force to determine how best to improve staffing of the system's computer processing activities, system documentation, programming language and logic, and testing for and correction of computer errors; (7) establish a realistic timetable for eliminating the redundant and inefficient manual procedures; and (8) direct that the problems in the existing pay system be carefully considered in the design, development, and implementation of the new one. The Secretary should also direct the Assistant Secretary of Defense (Comptroller) to monitor the progress of the Marine Corps in complying with Department memorandums, directives, and instructions calling for (1) development and implementation of a reliable central pay system, (2) goals and objectives expressed in measureable terms, and (3) an analysis of costs versus benefits of system development. Compliance with this guidance should be required.

Agency Comments/Action

Defense substantially agreed with all the report's recommendations except for the establishment of a single manager for the system.

Appropriations

Military personnel - Marine Corps

Appropriations Committee Issues

In funding a new system, the Committees should determine what efforts are being made to overcome problems in the present system which could be carried over into the new system.

DEFENSE-RELATED ACTIVITIES

ACCOUNTING SYSTEMS

Weaknesses in Accounting for Government-Furnished Materials at Defense Contractors' Plants Lead to Excesses (FGMSD-80-67, 8-7-80)

Departments of Defense, the Army, the Air Force, and the Navy

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)
Legislative Authority: Department of Defense Appropriation Act, 1980. National Security Act of 1947. Property and Administrative Services Act. P.L. 84-863.

The military services, for the most part, do not account for the estimated billions of dollars in Government-furnished material provided to Department of Defense (DOD) production contractors. Even when the services attempt to account for material, the data is incomplete and inaccurate. This has led to furnishing material to contractors in excess of contract allowances. It is DOD policy to rely almost solely on the contractor's property records to account for and control Government-furnished material. The policy is not effective. GAO undertook a review of this matter because of (1) congressional interest in prior audits of material provided to overhaul, maintenance, and repair contractors, (2) the estimated value of the Government's investment, and (3) GAO responsibility for approval of executive agency accounting systems. GAO principles and standards for executive agency accounting systems require that Government property be under accounting control from the time it is acquired until it is disposed of or consumed.

Findings/Conclusions: Review of four production contractors showed that the lack of accounting controls led to DOD providing or intitiating shipments of $1.3 million in material above contract allowances. This problem was also noted in reports on overhaul and repair contracts. Providing excess material was caused by clerical/arithmetical errors, lack of coordination among procuring activity personnel, and failure to modify contracts to show changes in Government-furnished material authorizations. An effective accounting system would have helped to disclose these errors and identify or prevent excess material from being shipped. In prior reports on weaknesses in accounting for materials furnished to overhaul, maintenance, production, and repair contractors, it was noted that contractors were oversupplied with materials, contractors were given access to DOD supply systems without DOD accounting control over materials obtained, and contractors' property control records were unreliable. The Secretary of Defense should halt the DOD policy of almost total reliance on contractors' property control records and instead establish systems which, together with contractors' records, will provide accounting control over Defense material from receipt to consumption or disposal.

Recommendations: The Secretary of Defense should instruct the military services to develop accounting systems that establish a means of determining the quantity and value of Government-furnished material (1) contractually allowed to contractors; (2) actually provided to contractors; (3) reported as received by contractors; (4) reported as used by contractors; and (5) reported as on hand by contractors. The systems should include adequate accounting for DOD materials that are obtained by production contractors directly from DOD supply systems. They should identify production contracts which have significant amounts of Government-furnished material and determine whether such material is authorized and required. The services should coordinate with GAO during the development of these systems to assure that they will comply with the Comptroller General's principles and standards. They should provide developed accounting system data to property administrators so that they have independent data that they can use to pinpoint differences between Government and contractor records. Where differences exist, reconciliations should be made.

Agency Comments/Action

DOD has issued a Uniform Chart of Accounts and coordinated accounting principles and standards with the Services for Government-furnished material. Additional accounting and reporting guidance for each category of property is being developed. DOD has not estimated when a property accounting system will be designed and implemented, but it is probably several years away.

Appropriations

All procurement appropriations - Army, Navy, Air Force

Appropriations Committee Issues

The Committees should continue to monitor DOD actions to develop accounting systems to adequately account for and control material furnished by the Government to DOD contractors.

ACCOUNTING SYSTEMS

Continuing and Widespread Weaknesses in Internal Controls Result in Losses Through Fraud, Waste, and Abuse

(FGMSD-80-65, 8-28-80)

Department of Defense and Office of Management and Budget

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101)
Legislative Authority: Accounting and Auditing Act (31 U.S.C. 66a). Claims Collection Act. Anti-Deficiency Act (31 U.S.C. 665). S. 3026 (96th Cong.).

Most Federal agencies are operating accounting systems that are vulnerable to physical losses and waste of Federal money as well as fraudulent and otherwise improper uses. These conditions, noted in a series of GAO reports issued between December 1976 and October 1979 covering financial operations in 11 major Federal organizations, are summarized.

Findings/Conclusions: System vulnerability results from a series of longstanding, undetected weaknesses. While agencies usually correct specified deficiencies, they are generally slow to correct systemwide deficiencies in collection, disbursement, obligation, and imprest fund activities. Inadequate controls over collection could not ensure that amounts owed the Government were recorded as accounts receivable or that overdue accounts were identified and collected. Often, accounts receivable were so poorly controlled and safeguarded that the potential for theft, loss, or other misuse was high. Controls over disbursement activities were found to be deficient. Disregard for basic control procedures prescribed in manuals resulted in waste and overpayments. About half of the offices reviewed had serious weaknesses in controls over obligations that could result in improper or illegal payments. The most widespread deficiencies were noted in imprest fund activities. Weak controls, together with the susceptibility of imprest funds to misuse, allowed substantial losses to the Government. It was concluded that adequate internal audit coverage could have detected most of the deficiencies found. Legislation under consideration would place greater responsibilities on the heads of Federal agencies for improving their agencies' financial systems. Under this legislation, agencies would be required to undertake evaluations of their organizations' systems of internal control and report annually to Congress and to the President the results of such evaluations.

Recommendations: Congress should enact the legislation to place greater responsibility upon the heads of Federal agencies for the soundness of their organizations' systems of internal financial control.

Appropriations

All Federal agencies

Appropriations Committee Issues

The Committees should question agencies to determine whether their systems of internal financial and accounting controls provide adequate assurance for certifying expenditures. The questioning should develop information on the adequacy of resources which agencies devote to the development and maintenance of their financial control systems and to correct weaknesses which would permit fraudulent or other improper uses of funds.

DEFENSE-RELATED ACTIVITIES

ACCOUNTING SYSTEMS

Weak Internal Controls Make Some Navy Activities Vulnerable To Fraud, Waste, and Abuse (AFMD-81-30, 4-3-81)

Department of the Navy

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)
Legislative Authority: Budget and Accounting Procedures Act of 1950. National Security Act Amendments of 1949. H.R. 350 (97th Cong.). H.R. 1526 (97th Cong.).

GAO reviewed the Naval Sea Systems Command (NAVSEA) including two shipyards and two other activities which provide support services to NAVSEA to determine whether the internal control systems of these activities adequately protect Federal funds and assets from fraud, waste, and abuse.

Findings/Conclusions: GAO found inadequate controls over several functions at NAVSEA, two shipyards, and two activities. Specific weaknesses included: (1) inadequate controls over payroll at the Navy Regional Finance Center (NRFC) and the Norfolk and Charleston shipyards; (2) inadequate controls over blank and negotiable U.S. Government checks at NRFC; (3) poor security over computer facilities and equipment at the Navy Regional Data Automation Center and at the two shipyards; (4) a circumvention of procurement regulations at NAVSEA; (5) insufficient review of payment requests and a lack of necessary checks of automated system disbursements at NRFC; (6) a 7-month, $8 million backlog of accounts payable at the Charleston shipyard that had not been reconciled to supporting documentation to determine if only legitimate invoices were paid; (7) accounts receivable valued at about $5.8 million at the Charleston shipyard written off the general ledger from fiscal 1978 through fiscal 1979 without adequate justification; and (8) a lack of basic controls at NAVSEA over approving and processing employee travel claims. GAO found that Navy internal controls do not always identify the underlying cause of audit findings and reasons for noncompliance with regulations, too few staff members are assigned to internal auditing and review functions to review all activities at recommended intervals, and internal audit personnel do not participate in automated data processing (ADP) planning. GAO believes that internal controls can be made more effective by strengthening existing laws.

Recommendations: The Secretary of the Navy should require proper segregation of payroll functions at NRFC so that no one person can handle all phases of a transaction. The Secretary of the Navy should direct NAVSEA to implement procedures for: (1) expediting the processing of requests for office equipment; (2) performing internal reviews of contract overhead charges to ensure that only authorized items are charged; (3) reviewing the contract and funding documents used in acquiring office equipment to ensure that other charges are proper and are accounted for; and (4) providing specific detailed guidelines on the use of funding documentation. The Secretary of the Navy should ensure that NRFC improves its review of payment requests and automated system edits by thoroughly examining documentation supporting expenditures before making payments, and by ensuring that the more sophisticated computer system being designed requires an adequate number of matching invoice elements to preclude duplicate payments. The Secretary of the Navy should require the Charleston shipyard to match payments to supporting documentation and to properly classify accounts receivable so that they are collected promptly. The Secretary of the Navy should direct all installations to assign an ADP security officer, implement a security training program, and restrict access to computer equipment, computer tapes, and system documentation. The Secretary of the Navy should emphasize to all management levels the significance of good internal controls and the need for managers to make sure that tasks and functions for which they are responsible are adequately controlled to prevent, or at least reduce, the risk of intentional or accidental misuse or abuse of Federal funds. The Secretary of the Navy should: (1) establish a central internal control officer to oversee the controls and ensure that each command and major location establish its own officer to see that improvements are made to correct the problems noted during the GAO review and that surveillance is constantly maintained to prevent recurrence of these problems; and (2) require proper segregation of payroll functions at NRFC so that no one person can handle all phases of a transaction. The Secretary of the Navy should improve other controls over payroll at NAVSEA headquarters and the shipyards, such as requiring (1) control totals to be determined when source documents are prepared; (2) personnel offices to be informed by the payroll staff of actions processed to payroll files; and (3) a routine, periodic reconciliation of payroll and personnel files. The Secretary of the Navy should require the Charleston shipyard to improve its control over travel by addressing the weaknesses that were identified in the travel processes at the Charleston shipyard. The Secretary of the Navy should improve controls over travel at NAVSEA headquarters by: (1) requiring appropriate officials to approve travel; (2) seeing that travel advances are liquidated promptly and that claims are properly reviewed; and (3) ensuring that managers receive reports containing information needed for controlling and planning travel expenditures. The Secretary of the Navy should make internal audits more effective by: (1) reassessing staffing priorities at all levels to adequately emphasize internal auditing in light of decreasing size and other factors which make Navy activities more vulnerable to fraud, waste, and abuse; (2) requiring internal audit participation in the design, development, and test phases of a new computer system to ensure that factors to enhance auditability, audit trails for security, and quality output are designed and developed into new systems; and (3) requiring internal auditors to identify underlying causes of problems uncovered so that action can be taken to prevent recurrence.

Agency Comments/Action

The Navy agreed in principle with the GAO recommendations. Although initially in disagreement over the establishment of an internal control officer, the Navy has since established a Central Internal Control Office as part of its internal review program. Major functions of this office will be to promulgate Navy-wide internal review policy; provide ongoing guidance to internal review components; and coordinate review findings among Navy components, other Department of Defense (DOD) components, and other Federal agencies. DOD has recently established a Review and Oversight Office which has as a major function to follow up on audit reports, findings, and recommendations. This office is setting up a computerized system to monitor audit reports and recommendations that should be operational in March 1982. DOD and Navy officials both agreed that a normal follow-up procedure will not yield other specific actions taken as a result of this report until January 1982.

Appropriations

Administration - Navy

DEFENSE-RELATED ACTIVITIES

ACCOUNTING SYSTEMS

Fraud in Government Programs: How Extensive Is It and How Can It Be Controlled (Volume I) (AFMD-81-57, 5-7-81)

Department of Justice

Budget Function: Financial Management and Information Systems (1100)
Legislative Authority: False Claims Act (Against Government). Budget and Accounting Procedures Act of 1950. H.R. 4106 (95th Cong.). H.R. 1526 (97th Cong.). 18 U.S.C. 287.

GAO made a statistical analysis of over 77,000 cases of fraud and other illegal activities reported in 21 Federal agencies during the period of October 1, 1976, through March 31, 1979.

Findings/Conclusions: The loss to the Government on the 77,000 cases would total between $150 and $220 million. This loss is only what is attributable to known fraud. It does not include the cost of undetected fraud which is probably much higher, because weak internal controls allow fraud to flourish. It also does not include cases involving Federal funds where State and local jurisdictions had primary investigatory responsibility. Losses due to fraud and related illegal activities are seldom recovered. Fraud erodes public confidence in the Government, undermines program effectiveness, and in some cases, affects public health and safety. Government employees committed about 29 percent of the frauds included in the GAO study. Federal employees also detected the majority of the reported frauds. Four areas were especially prone to fraud: financial assistance to individuals, inventory control and property management, mail service, and personal property management. For a variety of reasons, the Justice Department declined to prosecute 61 percent of almost 13,000 cases referred by Federal agencies. Although Justice got a conviction or guilty plea in the majority of cases it did prosecute, the courts often suspended large portions of the sentences or granted probation. Agencies did not always take administrative action against individuals who committed fraud, or took action which was ineffective. Since 1978, progress has been made in combating fraud by the establishment of offices of inspectors general and Justice Department reorganizations.

Recommendations: Congress should consider the merits of enacting legislation to allow agencies to assess civil monetary penalties against persons who defraud Federal programs. The authority to assess such a penalty should be effective when the Department of Justice declines to take criminal or civil action on the case. Congress should enact the Federal Managers' Accountability Act of 1981. The Department of Justice should expedite completion of its draft legislation to give agencies the authority to levy civil monetary penalties and should submit the legislation to Congress for its consideration.

Agency Comments/Action

The Department of Justice stated that it generally shared the GAO concern that more needs to be done to prevent fraud and punish those who commit it. The Department said it was in the final stages of reviewing a major legislative proposal to create an administrative civil penalty mechanism to address the area of program fraud throughout the Government.

Appropriations

Multi-program - Government-wide

Appropriations Committee Issues

The Committees should consider whether the agencies are taking effective actions to reduce losses to the Government resulting from fraud, and how effective agencies are in recovering losses due to fraud.

DEFENSE-RELATED ACTIVITIES

ACCOUNTING SYSTEMS

Status, Progress, and Problems in Federal Agency Accounting During Fiscal 1980 (AFMD-81-58, 6-25-81)

Department of Defense

Budget Function: Financial Management and Information Systems: Review and Approval of Accounting Systems (1102)
Legislative Authority: Accounting and Auditing Act. H.R. 1159 (90th Cong.). 31 U.S.C. 66a.

The head of each executive agency is responsible for establishing and maintaining systems of accounting and internal controls that conform to the principles, standards, and related requirements prescribed by the Comptroller General. GAO examines the accounting principles and standards prescribed by an agency as the basis for its accounting system and those procedures and practices that will be followed to perform the agency's accounting to determine whether the system is in conformance with approved principles and standards. GAO also reviews the accounting system in operation from time to time to see that it is being operated in accordance with the approved design and is serving management's needs.

Findings/Conclusions: As of September 30, 1980, 297 of 301 systems identified by the agencies as being subject to GAO approval were covered by approved accounting principles and standards. Only 193 of the 301 system designs have been approved by the Comptroller General. The 108 unapproved systems include some of the largest and most important ones and account for the expenditure of more than half the Federal budget. A large number of the approved systems were approved over a decade ago, and most of these systems have undergone revisions and should be submitted for reapproval. Congress should ensure that agencies have adequate resources to improve and qualify their systems for approval. In many cases, an agency installs and begins operation of a system without GAO approval, and GAO finds that the system lacks important features and is therefore not approvable. When a performance measurement system is integrated with an accurate time and cost reporting system, efficiency of operations is measurable. GAO has encountered many major accounting problems, such as inadequate property and cost accounting, ineffective fund control, and improper accrual accounting, which prevent approval of systems. Some agencies do not adequately document their system designs in a manner that would assist them in operating and maintaining their systems and permit an orderly evaluation. It has been difficult during the development and documentation process to convince agencies to seek GAO assistance. Some agencies make changes in their documentation to get GAO approval and then do not implement them.

Recommendations: Congress should, when an appropriation is requested, require the head of each agency to report on the status of and progress made toward gaining GAO approval of its accounting systems.

Agency Comments/Action

The report does not include any recommendations for agency action, and it was not sent to the agencies for comment.

Appropriations

All Federal agencies

Appropriations Committee Issues

The recommendation made in this report has been included in Section 4 of the "Federal Managers' Accountability Act of 1981." The bill (H. R. 1526) was recently passed by the House. A similar bill called the "Financial Integrity Act of 1981" is now being considered in the Senate but does not include a provision similar to the GAO recommendation. GAO supports the inclusion of Section 4 of the "Federal Managers' Accountability Act of 1981" in the final bill when the two bills are considered in conference.

AUTOMATIC DATA PROCESSING

The Air Force Should Cancel Plans To Acquire Two Computer Systems at Most Bases (FGMSD-80-15, 10-26-79)

Office of Management and Budget, General Services Administration, and Departments of Defense and the Air Force

Budget Function: Automatic Data Processing (1001)
Legislative Authority: Automatic Data Processing Equipment Act (P.L. 89-306).

The report described how the Government could save hundreds of millions of dollars if the Air Force redirected its computer system acquisition program. Air Force requirements, vendor competition, and the handling of unsolicited proposals were reviewed.

Findings/Conclusions: The Air Force's stated requirements for a minimum of two new computer systems capable of running the same programs had never been justified and were established without defined base-level user requirements. A single computer system could be acquired that would provide effective support for all base-level data processing requirements. Current base-level computer systems have been reliable and generally available when needed. No base-level computer system hardware problem has been severe enough to require extensive backup capability at each base. The risks associated with software conversion were being minimized by the current acquisition approach, and any further risk reduction possible by installing two computer systems at most bases was considered too small to justify the considerable added costs of such installation.

Recommendations: The Air Force should replace the current requests for proposals with requests for proposals developed around a more functional and performance-oriented set of requirements that would represent actual base-level operations and needs.

Agency Comments/Action

The Secretary of the Air Force ordered a redirection of the Phase IV program. The redirection included a reduction in the number of bases planned to receive two computer systems, consolidation of a substantial number of bases on regional data processing centers, early purchase of equipment to minimize lease costs, and substantial reduction of personnel both immediately and upon reexamination after equipment installation. The Secretary ordered a reopening of the competition and a functional requirements study leading to modernization of existing standard systems. The Air Force estimates cost savings of over $800 million.

Appropriations

Other procurement - Air Force
Operation and maintenance - Air Force, Air Force Reserve, Air National Guard

Appropriations Committee Issues

The Committees may wish to request a revised budget and life cycle cost estimate reflecting the Air Force's reduction of the program and the initial contract award. The Committee may also wish to inquire if: (1) more personnel savings can be accomplished; and (2) the Air Force truly requires two computer systems at most overseas bases and CONUS aerial ports.

DEFENSE-RELATED ACTIVITIES

AUTOMATIC DATA PROCESSING

Wider Use of Better Computer Software Technology Can Improve Management Control and Reduce Costs (FGMSD-80-38, 4-29-80)

Department of Defense

Budget Function: Automatic Data Processing (1001)
Legislative Authority: OMB Circular A-54. OMB Circular A-71. OMB Circular A-109. OMB Circular A-113. F.P.M.R. 101-35.206. F.P.M.R. 101-35.206(a)(3). F.P.M.R. 101-36.16.

Computer software is the most important part of automatic data processing systems today. It is expensive to develop and maintain, and errors and omissions in software can seriously disrupt automated systems. Because the Federal Government spends billions of dollars annually on computer programs, GAO undertook a review to assess current practices by Federal agencies in using software tools and techniques to maintain computer programs.

Findings/Conclusions: GAO found that many opportunities exist for greater use of software tools and techniques. Many Federal installations have not exploited the benefits of modern software tools and techniques as well as they could have. Computer specialists at many agencies were unaware of the newer, better methods; others were reluctant to change to them. Additionally, GAO found that the Federal use of software tools and techniques can be improved by providing better guidance to agencies, more emphasis on software by management, and effective Government-wide coordination and sharing of tools. However, the agencies' adoption of the newer technology should be based on a careful study of all costs and benefits. Also, unless Federal automatic data processing management makes more use of such technology, Federal computer software will continue to cost millions more than is necessary.

Recommendations: The Director of the Office of Management and Budget should: (1) require heads of Federal agencies to establish software quality assurance functions in their agencies; (2) more clearly define the responsibilities of agency heads and automatic data processing managers for the acquisition, management, and use of software tools and techniques; and (3) direct the establishment of coordinated Government-wide research and development for software tools and techniques which will include provision for disseminating information to all potential Federal users. Additionally, the Administrator of General Services should: (1) modify Federal Procurement Management Regulation 101-35.206 to incorporate actions agencies should take to improve their applications software; (2) establish a set of standard tools for solving operational problems and promoting efficiency and economy; (3) require that certain standard inspections, using software tools, be done on contractor-developed software; and (4) establish a software tools category in the Federal Software Exchange Center and provide technical aid for the sharing of tools. Moreover, the National Bureau of Standards should develop or adopt standards or guidelines for using software tools.

Agency Comments/Action

The General Services Administration's (GSA) Office of Software Development (OSD) has (1) established a software tools category in the Federal Software Exchange Catalog and (2) begun developing a set of software tools. The GSA Procurement Division has published guidance on acceptance testing of contractor-developed software (FPMR 1-151 and FPR 51).

Appropriations

General recommendations - All Federal agencies
Funding for specific recommendations - General Services Administration

Appropriations Committee Issues

The Committees should monitor all Federal agencies' compliance with the recommendations. GAO believes that GSA-OSD should get sufficient funding to continue its efforts in this area.

DEFENSE-RELATED ACTIVITIES

AUTOMATIC DATA PROCESSING

The Navy's Computerized Pay System Is Unreliable and Inefficient--What Went Wrong? (FGMSD-80-71, 9-26-80)

Departments of Defense and the Navy

Budget Function: Financial Management and Information Systems (1100)
Legislative Authority: 2 GAO 31.

Over the last 12 years, the Navy has spent more than $150 million to develop and operate a central automated military pay system that is largely unreliable and inefficient. Although GAO approved the system design, it is not working as designed because it was not implemented as designed.

Findings/Conclusions: Two studies conducted in 1978 revealed that 42 percent of 291 selected pay accounts reviewed were inaccurate and 52,200 accounts remained in an overpaid status for more than 90 days. In 1979, GAO found that 34 of the accounts were in error in amounts ranging from $5 to over $1,800. The major problems with the system stem from the lack of timely and accurate input data from field organizations to the central computer. Field units average 12 days to prepare input as opposed to the 3 days required by the system design. The approved system design required an automated control over rejects, but management does not rely on it for control purposes because the automated system was not properly implemented. Navy management did not establish overall goals and objectives to measure pay system performance as required by the Assistant Secretary of Defense (Comptroller). The Assistant Secretary's office did not provide the necessary guidance and monitoring of the Navy's pay system development and implementation, or require the Navy to comply with the Department of Defense requirements for managing the automated pay system. It has not determined whether the Navy implemented the pay system design as approved by GAO. Changes made in creating a parallel manual system would not have been approved by GAO if the changes had been submitted to GAO as required. The quality of the input was also very poor. Despite costly efforts to overcome system inefficiencies, the system continues to operate inadequately.

Recommendations: The Secretary of Defense should require the Secretary of the Navy to improve the reliability, efficiency, and effectiveness of the Navy's military pay system by: requiring commanding officers, disbursing officers, and administrative officers to operate the pay system as designed and as approved by GAO; identifying those organizations which submit untimely and erroneous pay data and taking corrective action where indicated; expediting the Navy's plans to transmit input data to the Finance Center electronically rather than by mail; setting a standard for when an override of computer-produced Leave and Earnings Statements by all local disbursing officers can take place; and strengthening supervisory controls over pay technicians' resolution of the system rejections. Further, the Secretary of Defense should specifically require the Secretary of the Navy to: establish procedures to measure system effectiveness; insure that internal auditors periodically report to top management on the progress responsible officials are making toward operating the system as designed and in meeting the established goals and objectives; and comply with all Defense policies and procedures in future work now planned to correct the problems with the automated pay system. Finally, the Secretary of Defense should monitor the Navy's compliance with Defense requirements more closely to improve its military pay system.

Appropriations

Military personnel - Navy

Appropriations Committee Issues

The Committees should determine the status of corrective action for implementing the payroll system in accordance with the system design approved by GAO. The Committees should also determine the progress toward developing procedures for measuring system effectiveness and the basis for these procedures.

DEFENSE-RELATED ACTIVITIES

AUTOMATIC DATA PROCESSING

Continued Use of Costly, Outmoded Computers in Federal Agencies Can Be Avoided (AFMD-81-9, 12-15-80)

Office of Management and Budget and General Services Administration

Budget Function: Automatic Data Processing (1001)
Legislative Authority: Automatic Data Processing Equipment Act (P.L. 89-306). OMB Circular A-71.

Computers in the Federal inventory are out of date, only 2 percent of the large- and medium-scale computers use 1975 or later technology. Newer equipment of similar capacity could use existing software without significant changes; provide such benefits as faster speeds, better reliability, greater capabilities, and lower energy consumption; and avoid costly operations.

Findings/Conclusions: Agencies have not recognized the costs and problems of continuing to use outmoded equipment. Guidance is needed to assist Federal managers' implementation of current technology, but such guidance has not been issued. Better knowledge of computer technology would enable Federal managers to better recognize and evaluate available economical alternatives. The present acquisition cycle is long, complicated, and frustrating and contributed to the obsolescence of Federal computers.

Recommendations: The heads of Federal agencies should immediately institute a program to determine if their systems are currently economically obsolescent, and if they are, to replace them expeditiously. The Director of OMB should require Federal agencies to (1) assess their ADP requirements for the 1980s and plan appropriate short and long range procurement strategies; (2) institute a program to improve top managers' knowledge of current computer technologies and concepts; (3) increase top management involvement in acquisition and resource allocation processes; and (4) ensure that ADP cost-accounting procedures reflect the principles of full costing and total system-life-cycle costing. GSA should issue guidance to the agencies outlining the criteria to be used and the cost comparisons to be made in determining economic obsolescence. Further, GSA should set forth procedures for expeditious replacement of ADP equipment determined to be obsolescent. GSA, working with OMB, should require the agency's internal audit group to verify the cost calculations. GSA should also issue the guidance and criteria called for in OMB Circular A-71.

Agency Comments/Action

OMB agreed that obsolescence is a major problem, and it promised corrective action through a 5-year ADP/Telecommunication planning mechanism for all agencies. This plan was on active consideration at OMB in September.

Appropriations

All Federal agencies

Appropriations Committee Issues

The Committees should question each agency on its efforts to replace costly, outdated computers with newer, less-expensive equipment.

DEFENSE-RELATED ACTIVITIES

AUTOMATIC DATA PROCESSING

Most Federal Agencies Have Done Little Planning for ADP Disasters (AFMD-81-16, 12-18-80)

Department of Commerce, Office of Management and Budget, and General Services Administration

Budget Function: Automatic Data Processing (1001)
Legislative Authority: F.P.R. 101-35. F.P.R. 101-36.7. OMB Circular A-71. FIPS Pub. 31.

Since most Federal agencies are extremely dependent on automatic data processing (ADP) systems, GAO reviewed the lack of effort among many Federal agencies to develop backup plans to maintain reasonable continuity of data processing support when normal ADP operations are disrupted.

Findings/Conclusions: GAO found not only a lack of understanding in the Federal Government of the importance of ADP backup planning, but also that agency top management has not fulfilled its responsibility for implementing the Office of Management and Budget (OMB) requirements for such plans. Of 55 activities reviewed, GAO did not find a single ADP backup plan which it considered adequate. Many activities only had written letters of agreement which were not sufficient. An adequate ADP backup plan should reduce the effects of a disaster by providing smooth, rapid restoration of an activity's critical operations until a lost ADP system can be permanently replaced or recovered. A review of interagency agreements indicated that: agreements are not always current, fulfilling agreements puts the agency providing backup in a contingency mode, ADP backup capability is not periodically tested to ensure compatibility of systems, most agreements contain only a single option, and agreements contain no guarantee that the backup equipment will be made available in the event of need. If operating systems have been modified, additional backup problems can be encountered. OMB has not provided the strong leadership needed to emphasize the importance of ADP backup planning and has not fulfilled its role in reducing the risk that loss of ADP capability in an emergency could keep agencies from meeting their responsibilities.

Recommendations: The Director of OMB should: (1) establish a mandatory requirement for each Federal department and agency to organize an ADP executive committee, with membership comprising top management, to enhance management's involvement in ADP policies and responsibilities, as directed by Federal regulations; (2) reaffirm that Federal agencies should test their ADP backup plans periodically to ensure continuity of data processing support in an emergency; (3) request that Inspector General or internal audit groups within each Federal agency evaluate ADP backup plans, review tests and test results in accordance with OMB's criteria, and report their evaluation to the ADP executive committee; (4) ensure that the Department of Commerce develops standards for ADP backup plans; and (5) issue policy cautioning against modifying operating system software because of the increased difficulties such modifications cause, particularly in the area of backup.

Agency Comments/Action

OMB agreed that backup planning deserves more emphasis, and it plans to review agencies' information needs on a life-cycle basis. This would include backup planning.

Appropriations

All Federal agencies

Appropriations Committee Issues

In view of the importance of data processing to the delivery of most Federal services, the Committees may wish to inquire as to the status of agency contingency planning for their ADP systems.

DEFENSE-RELATED ACTIVITIES

AUTOMATIC DATA PROCESSING

Better Software Planning Needed at the Air Force's Global Weather Central (AFMD-81-24, 2-24-81)

Department of Defense and General Services Administration

Budget Function: Automatic Data Processing (1001)
Legislative Authority: F.P.R. 1-4.1105(b). F.P.M.R. 101-35.206(c)(3).

As part of a long-range program to improve the computer-based capabilities of the Air Force Global Weather Central (AFGWC), the Department of the Air Force insists that a series of sole-source procurements of general purpose computers in the present manufacturer's product line are in the Government's best interest. The Air Force believes that, by avoiding the competitive process, it can save $30 million and minimize the technical risks associated with changing vendors. It wants to continue to do so until 1985 despite repeated General Services Administration (GSA) efforts to persuade it to use competitive procurement.

Findings/Conclusions: GAO found that the decisions to retain and convert software were not based on life-cycle analyses or projected costs of the individual software components such as the weather models, data base manipulation system, and applications programs. GAO believes that much of the software may be obsolete or approaching obsolescence. In addition, the remaining life cycles for individual software components should have been projected, costed, and operationally and technically assessed for effectiveness into the late 1980's and documented to provide the basis for management procurement decisions. GAO found no life-cycle documentation for software which indicated that management considered the potential operational, technical, or financial benefits of competitive alternatives that included redesign, enhancement, replacement, or sharing of software. GAO believes that the Air Force's present sole-source efforts may be more costly than a competitive acquisition. Management's failure to insist on compliance with Federal policies that would have reduced the AFGWC technical dependence on the current manufacturer's product has resulted in undue pressures to remain with the manufacturer. GAO does not think that $30 million is a valid estimate of the savings that can result from a sole-source procurement. Therefore, GAO does not believe that the Air Force has properly justified its plans to repeatedly upgrade the AFGWC general purpose computers on a sole-source basis.

Recommendations: The Administrator of GSA should require the Air Force to provide: (1) documentation for each significant software component in the current software inventory; (2) plans for new software for the period 1982-1992; (3) estimated costs and technical criteria that will be used to reduce dependence on the present manufacturer; (4) a long-range plan of the software sharing arrangements that it will propose and/or implement with other Federal agencies; and (5) a comparative analysis that shows estimates of the technical, financial, and operational advantages and disadvantages of sole-source and competitive acquisition over the life cycles of both the hardware and software.

Agency Comments/Action

At the request of the Chairman, House Government Operations Committee, the report was published without agency comments. Subsequently GSA, to whom the recommendations were directed, concurred with the assessment of the status of the software at AFGWC. They reported also that the Air Force had agreed to provide a software improvement plan by December 1981. In a letter of July 17, 1981, DOD: (1) agreed that the current vendor's unique and obsolete software should be modernized; (2) disagreed that a reanalysis of the AFGWC software modernization plans might negate the lower cost advantages claimed for the existing hardware sole-source procurement and; (3) stated that the current cooperative effort with GSA is the lowest cost, least risk, and most prudent approach.

Appropriations

Operation and maintenance - Air Force

Appropriations Committee Issues

GAO is concerned that the technical risks and management problems associated with software modernization might cause the Air Force to refrain from addressing its existing software obsolescence problem and thus not consider more effective methods of software modernization that might be possible. As a result, retention of about 70 percent of the existing software into the 1990's may have an adverse impact on the operational effectiveness of the Air Force Global Weather Central. The Committees should review the GAO recommendations and the GSA and DOD responses to determine whether the Air Force should be required to perform the analysis and planning that would provide the plans, documentation, estimates, and criteria for a well-founded decision concerning the modernization of the AFGWC software inventory.

DEFENSE-RELATED ACTIVITIES

AUTOMATIC DATA PROCESSING

Federal Agencies' Maintenance of Computer Programs: Expensive and Undermanaged (AFMD-81-25, 2-26-81)

Department of Commerce, General Services Administration, and National Bureau of Standards

Budget Function: Automatic Data Processing (1001)
Legislative Authority: Automatic Data Processing Equipment Act (P.L. 89-306). DOD Directive 7920.1. BOB Circular A-71.

Computer software maintenance consumes a large share of the Federal Government's automatic data processing resources. A review was performed of computer software maintenance operations at 15 Federal computer sites.

Findings/Conclusions: Agencies have a limited overview of their software maintenance operations and have made little concentrated effort to effectively manage and minimize the resources required to maintain their computer software. Automatic data processing managers have done little to identify common causes of maintenance problems or reduce maintenance costs. The absence of maintenance management is due to the lack of a uniform definition of maintenance and the absence of Government-wide guidance on how to control software maintenance and reduce its costs. Modifications account for about half of the total maintenance workload. While some modifications are necessary to adapt software to changing user needs, others occur because user needs were not properly identified in the first production version of the software. Agencies need to develop and implement policies and procedures which will increase maintenance efficiency and ultimately reduce the amount and cost of software maintenance required.

Recommendations: The heads of Federal agencies should implement policies and procedures to increase the efficiency of the software maintenance operation and reduce the amount of software maintenance needed in the future. The heads of Federal agencies should identify and assign costs to resources expended for software maintenance. Accounting and reporting of costs by area of management responsibility are fundamental steps in making individuals conscious of and responsible for the costs incurred within their area of control. The Secretary of Commerce, through the National Bureau of Standards, should develop and publish a standard definition of applications software maintenance for Government-wide use. The publication should list and define maintenance components suitable for use in recording costs, from which individual installations can use the parts that are relevant to them. The Secretary of Commerce, through the National Bureau of Standards, should develop and publish guidance specifically and explicitly directed at techniques for reducing Federal software maintenance costs. Pending such publication, GAO feels that its provisional checklist will be useful to installation managers who want to reduce their maintenance costs. The heads of Federal agencies should begin to manage software maintenance as a discrete function; that is, to consider maintenance as a high-cost area needing comprehensive management policies that deal specifically with its issues. To accomplish this, data gathering mechanisms must be put into place to provide management with information on the maintenance workload. The heads of Federal agencies should develop maintenance standards and goals as a means of evaluating maintenance efficiency and for use as a management tool. After carefully analyzing the current maintenance workload, management should set goals reflecting the resource usage considered reasonable to maintain the current inventory of software. Levels of resources above these standards would be subject to management attention and subsequent action. Maintenance goals should reflect a lower level of resources expected to be attained by the use of techniques to reduce the need for future maintenance.

Agency Comments/Action

The National Bureau of Standards agreed to consider management of existing software in future guidelines and standards.

Appropriations

All Federal agencies

Appropriations Committee Issues

The Committees may wish to improve the extent to which individual agencies have acted to improve their management of this expensive area.

DEFENSE-RELATED ACTIVITIES

COMMISSARIES AND EXCHANGES

More Effective Internal Controls Needed To Prevent Fraud and Waste in Military Exchanges (FPCD-81-19, 12-31-80)

Departments of Defense, Justice, and the Navy

Budget Function: National Defense: Defense-Related Activities (0054)
Legislative Authority: Armed Services Procurement Act. DOD Instruction 1401.1M. DOD Instruction 4105.67.

The Department of Defense (DOD) reported that, during the first half of fiscal year 1980, military exchanges accounted for 58 percent of all potential fraud cases referred for investigation. A Department of Justice task force carried out investigations resulting in the conviction of six buyers, a deputy region chief, seven sales representatives and a vendor for kickbacks and other unlawful activities. GAO examined the efforts taken by the military exchange systems, the services, and DOD to prevent fraud and waste in exchange procurement.

Findings/Conclusions: GAO found that exchange managers were slow to take corrective action because they lacked information on the extent and nature of fraud in their operations. They did not enforce or monitor the enforcement of standards of conduct and were not aware of the extensive noncompliance with policies and procedures. Since the GAO study began, exchange officials have initiated numerous actions to combat fraud and waste in their operations including: (1) establishing a program to assess vulnerability to fraud and waste; (2) strengthening the internal audit function; (3) establishing a fraud, waste, and abuse hotline; and (4) instituting a registration system to increase visibility of sales representatives. More should be done to strengthen controls. Standards of conduct should be strictly and uniformly enforced. Managers should be held accountable for compliance with policies and procedures. The overseeing organizations of these exchanges have not been aggressive in exercising their oversight responsibilities.

Recommendations: The Secretary of Defense should direct the Naval Supply Systems Command to exercise more active leadership to insure that the Navy Resale and Services Support Office (NAVRESSO) is taking prompt and effective actions to overcome problems identified in its operations. The Secretary of Defense, to strengthen the Office of the Secretary of Defense's (OSD) oversight and procurement policies, should (1) establish an exchange executive board or similar organization with OSD representation to set goals, evaluate performance, and provide guidance to the exchange systems; (2) require the use of formal advertising procedures for procurements with nonappropriated funds wherever practicable; and (3) provide for separate GAO access to contractor records for nonappropriated fund negotiated contracts. The Secretary of Defense should direct the Army and Air Force Exchange Service to (1) develop a management information system to provide data on the nature and extent of fraud, waste, and abuse in its programs; (2) develop a system of management controls to deter fraud and reduce the likelihood of waste; and (3) improve its management of procurement by establishing a results-oriented buying capability with detailed buy plans and buyer performance evaluations, clarifying criteria and identifying opportunities for increasing competitive procurement, enhancing buyer performance by providing procurement career paths and training programs, and requiring periodic audits of contracts for pricing compliance. The Secretary of Defense, to strengthen internal controls and to deter fraud and waste, should direct NAVRESSO to (1) develop a management information system to provide data on the nature and extent of fraud and waste in exchange systems; (2) develop a system of mangement controls to deter fraud and reduce the likelihood of waste; (3) overhaul the internal audit function by assigning a person to head the unit whose independence has not been impaired, staffing audits with more qualified auditors, and providing sufficient time to make audits properly and in accordance with GAO audit standards; and (4) comply with DOD policy to give the contracting officer or his representative access to contractor records and make audits for compliance with contract terms.

Agency Comments/Action

Defense agreed with all of the recommendations except those dealing with formal advertising and GAO access to records. The Army-Air Force Exchange Service and the Navy generally agreed with the GAO findings and conclusions.

Appropriations

Operation and maintenance - Army, Air Force, Navy
Military personnel - Army, Air Force, Navy

DEFENSE-RELATED ACTIVITIES

FOREIGN MILITARY SALES

Improperly Subsidizing the Foreign Military Sales Program--A Continuing Problem (FGMSD-79-16, 3-22-79)

Departments of Defense, the Army, the Navy, and the Air Force, and Defense Logistics Agency

Budget Function: Miscellaneous Financial Management and Information Systems (1002)
Legislative Authority: International Security Assistance and Arms Export Control Act of 1976 (22 U.S.C. 2151). Foreign Military Sales Act of 1968 (22 U.S.C. 2761). DOD Instruction 2140.1. DOD Instruction 2140.3.

Over the past decade, GAO has issued numerous reports on the Department of Defense's (DOD) continued failure to recover all costs incurred for foreign military sales. The primary causes of this failure have been inadequate implementation of DOD pricing policies by the military departments and DOD agencies, and insufficient followup or monitoring of actual cost recovery practices by DOD policy-makers. As a result, the foreign military sales program has been subsidized by hundreds of millions of dollars, a practice which the Congress wants DOD to avoid.

Findings/Conclusions: DOD failed to recover, as required, up to an estimated $370 million during the last 6 fiscal years for quality assurance services performed by U.S. Government employees on items sold to foreign governments. Congress, in passing the Arms Export Control Act of 1976, intended that indirect as well as direct costs of goods and services sold to foreign governments be recovered so that the foreign military sales program would not be subsidized by DOD appropriations. Further, since 1973, the Government-provided quality assurance services have been specifically identified in DOD pricing instructions as a recurring support cost to be recovered. Since at least 1970, DOD pricing instructions have required that items sold to foreign governments be priced to recover the full DOD contract costs. DOD officials indicated that full DOD contract costs should include Government-provided quality assurance services. Until the Department expands its efforts to insure that its pricing policies are effectively implemented, the full recovery of costs cannot be assured, and the foreign military sales program will continue to be subsidized.

Recommendations: Congress should require the Secretary of Defense to provide a plan for overcoming the foreign military sales pricing problems. The plan should specify any organizational changes that will be made and set forth the number of additional personnel to be assigned to these activities. If the Secretary determines that the expanded staff cannot be provided from present resources, then he should request an increase in the DOD personnel ceiling. The Secretary of Defense should: assign specific responsibility for ensuring effective and consistent implementation of foreign military sales pricing policies to a new or existing organization that can be sufficiently freed from other work to carefully follow up or monitor implementation of the policies in pricing systems; develop and implement practical procedures to recover the cost of Government-provided quality assurance; and direct responsible organizations to make a reasonable attempt to identify and recover undercharges on foreign sales resulting from nonrecovery of the costs of Government-provided quality assurance services.

Agency Comments/Action

DOD did not agree with the recommendation relating to a new or existing organization to follow up or monitor implementation of policies in pricing systems. DOD indicated that corrective actions have been initiated relating to the other recommendations. A report to the Secretary of Defense was issued rebutting the DOD position on the former recommendation and commenting on the corrective actions relating to the other recommendations. The Committee reduced the fiscal year 1980 request by $32 million in operation and maintenance. Present GAO audits indicate millions of dollars are still being lost.

Appropriations

Operation and maintenance - Department of Defense, Army, Navy, Air Force, Defense Logistics Agency

Appropriations Committee Issues

The House Appropriations Committee discussed the continuing problem in hearings on May 21, 1981. However, as DOD actions to date were not adequate to recover all costs incurred on foreign military sales, the Committee needs to continue to monitor DOD efforts to improve cost recovery.

DEFENSE-RELATED ACTIVITIES

FOREIGN MILITARY SALES

The Defense Department Continues To Subsidize the Foreign Military Sales Program by Not Charging for Normal Inventory Losses

(FGMSD-79-31, 5-15-79)

Departments of Defense, the Army, the Navy, and the Air Force

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101)
Legislative Authority: International Security Assistance and Arms Control Act of 1976 (P.L. 94-329). DOD Instruction 2140.1.

In 8 years, Department of Defense (DOD) sales of military items to foreign countries have risen from $953 million to $13.5 billion. DOD has included the following provisions in its standard sales contract: item prices set at their total cost to the Government; price increases of 10 percent or more announced in advance to purchasing countries; and agreement by foreign governments to reimburse the United States for costs exceeding estimates in sales agreements. Besides major articles, such as tanks and planes, DOD sells secondary items to foreign governments. These are either stock fund items (low-cost, expendable articles) or nonstock fund items (generally reparable and nonexpendable), which may be purchased by foreign governments through the supply support arrangements by which nations invest in DOD inventories, or other sales agreements. DOD incurs normal inventory losses in secondary item inventories due to damage, deterioration, pilferage, disposal of excess items, and obsolescence. Normal inventory losses in articles stored for purchase are charged against the purchasing country, but surcharges have only been assessed for this purpose on stock fund sales.

Findings/Conclusions: As of February 1979, the Army and Navy had made little effort to identify or recover inventory losses and DOD is consequently losing millions of dollars. The Air Force is not yet charging foreign governments for inventory losses, but it identified over $480 million of such losses in fiscal year 1978 and has developed two alternatives for assessing foreign governments for their fair share of these losses: pro-rata charges for each country's share of the total loss and surcharges placed on items withdrawn from inventory. DOD has consistently failed to recover all costs because of a lack of effort to insure proper implementation of pricing policies. Nearly 10 years have elapsed since DOD first issued instructions that these costs be recovered, with a notable lack of response from the military services. Surcharges and adjustments to undercharges are possible means of recovering the value of lost items, and action must be taken before losses continue to grow. Many foreign governments purchase nonstock fund items through sales agreements not covered by supply support arrangements, although inventory losses from these sales are not legally recoverable and the purchasing nations are the only beneficiaries of the arrangement.

Recommendations: The Secretary of Defense should direct that DOD prescribe uniform procedures for charging foreign governments for normal inventory losses based on the use of inventory and the military services should implement them without delay. The Secretary should also direct the military services to make a reasonable attempt to identify and recover undercharges resulting from costs of normal inventory losses that are not recovered. Congress should amend the Arms Export Control Act to require that normal inventory losses be recovered on all sales to foreign governments from DOD inventories.

Agency Comments/Action

DOD agreed that additional internal controls are needed to enforce compliance with established DOD pricing requirements for foreign military sales and indicated they are revising their internal procedures. They agreed to attempt to identify and recover undercharges resulting from costs of normal inventory losses that were not recovered retroactive to fiscal year 1977. They did not agree with the recommendation to charge for normal inventory losses based on the use of inventory. Instead, they held to their position that such losses should be recovered based on the estimated on-hand portion of supply support arrangement nonstock fund items. Further, DOD disagreed with the recommendation to Congress to revise the Arms Export Control Act to require that normal inventory losses be recovered on all sales to foreign governments from defense inventories. Current GAO audit work shows that recent Defense actions have not resolved this problem. Although Defense has since taken action to recover normal inventory losses on stock fund sales, it is still losing millions of dollars annually because only a fraction of the losses on sales of secondary items is being recovered.

Appropriations

Foreign military sales - Department of Defense, Army, Navy, Air Force
Procurement - Department of Defense
Operation and maintenance - Department of Defense, Army, Navy, Air Force

Appropriations Committee Issues

This report is another example of the continuing problems DOD has had in pricing and billing for all costs of the foreign military sales program. The House Appropriations Committee discussed the problem in its report on the DOD 1980 appropriation request and again in hearings on May 21, 1981.

DEFENSE-RELATED ACTIVITIES

FOREIGN MILITARY SALES

Centralization: Best Long-Range Solution to Financial Management Problems of the Foreign Military Sales Program

(FGMSD-79-33, 5-17-79)

Departments of Defense, the Army, the Navy, and the Air Force

Budget Function: Financial Management and Information Systems: Review and Approval of Accounting Systems (1102)
Legislative Authority: International Security Assistance and Arms Export Control Act of 1976. (22 U.S.C. 2751 et seq.).

For many years, the Department of Defense (DOD) has experienced serious financial management problems with regard to accounting, billing, and collecting for its foreign military sales program. Those problems have resulted in the failure to charge other governments hundreds of millions of dollars, and in the inability to properly account for what has been done with billions of their dollars.

Findings/Conclusions: DOD has not had an adequate program-wide financial management plan since the program's inception. Each military department and the Security Assistance Accounting Center designed their own systems, which have not provided accurate or timely data. As a result, DOD is unable to provide foreign governments with a proper accounting of how their money was spent. Policy implementation has been inconsistent and attempts at standardization have failed. Although some improvements have been made, progress has been slow and many longstanding problems remain uncorrected.

Recommendations: The Secretary should strengthen the existing steering committee by designating the Assistant Secretary of Defense (Comptroller) as head and by requiring that military department comptrollers and other responsible managers of the program be represented. This committee should be capable of monitoring the implementation of any new or improved systems. Congress should require the Secretary of Defense to produce a plan for centralizing the accounting and financial management of the foreign military sales program to assure that all costs properly chargeable to the program are fully recovered. The plan should include: obligation and expenditure accounting and disbursing of funds; specification of the central organization's responsibilities, as well as support required from other organizations; establishment of detailed policies and procedures; definition of systems requirements; identification of personnel needs; establishment of milestones for development, testing and implementation; and provisions for oversight by the Comptroller General.

Agency Comments/Action

DOD supported the basic objective of the report that the financial management of the foreign military sales program needs strengthening. It believes, however, that present DOD actions to improve its systems will result in the improvements envisioned by the GAO recommendation to centralize accounting and financial management for the program. DOD said that a long-range objective is to have the Security Assistance Accounting Center assume accounting and disbursing for most foreign military sales transactions, an action in line with the GAO recommendation on centralization. DOD did not specifically comment on the GAO recommendation to strengthen the existing foreign military sales steering committee.

Appropriations

Foreign military sales - Department of Defense, Army, Navy, Air Force

Procurement, operation and maintenance, military personnel, research and development, test and evaluation - Department of Defense

Appropriations Committee Issues

The House Appropriations Committee in its report (H.R. Report 96-450, September 20, 1979) on the Defense Department's fiscal 1980 appropriation bill agreed with the GAO recommendation on centralization. The Committee mandated that DOD submit a plan to the Committee for centralizing the accounting and financial management for foreign military sales. The Security Assistance Accounting Center is expected to finish testing the centralization concept by December 1981.

DEFENSE-RELATED ACTIVITIES

FOREIGN MILITARY SALES

How Military Sales Trust Funds Operate: Saudi Arabian and Iranian Funds Compared (FGMSD-80-26, 1-28-80)

Departments of Defense, the Army, the Air Force, and the Navy

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101)
Legislative Authority: Arms Export Control Act.

The Department of Defense (DOD) is requiring the military departments to estimate potential termination liability reserves for foreign military sales agreements. A report discussed the Saudi Arabian, Iranian, and other military sales trust funds and the need for a central clearinghouse controlling disbursements from military sales trust funds.

Findings/Conclusions: Since 1970, DOD has normally required foreign customers to pay, in advance, an amount sufficient to cover, at all times, all costs and damages associated with a sales agreement including potential termination costs. The military services have not uniformly implemented that policy. Information gathered in 1979 will determine the amount of funds necessary to protect the financial interests of the United States should future cancellations occur. Until such funds are collected, the financial interests of the United States will not be fully protected.

Recommendations: The Secretary of Defense should ensure that: (1) the military departments uniformly implement DOD procedures for computing termination liability reserves; (2) payment schedules include adequate termination liability reserves and foreign governments are promptly billed; and (3) collections for possible contract termination be segregated in the trust fund and not used for routine contractor payments.

Agency Comments/Action

Defense agreed to ensure that military services correctly compute termination liabilities and include the amounts in billings, but Defense did not agree to segregate these collections in trust fund accounts for termination liability.

Appropriations

Foreign military sales - Army, Navy, Air Force

Appropriations Committee Issues

The Committees should determine that DOD has implemented the GAO recommendations on termination liability in order to prevent the United States from having to pay for cancellations of foreign military sales agreements.

DEFENSE-RELATED ACTIVITIES

FOREIGN MILITARY SALES

Correct Balance of Defense's Foreign Military Sales Trust Fund Unknown (FGMSD-80-47, 6-3-80)

Department of Defense

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101)
Legislative Authority: DOD Instruction 2140.3.

A report was undertaken on the accounting differences between cash balances reported to foreign customers by the Department of Defense (DOD), and cash balances carried in those customers' trust fund accounts for all services, and on financial management problems DOD experienced in the administration of the Foreign Military Sales Program.

Findings/Conclusions: Specifically, GAO found that as of September 30, 1979, detailed accounting records for foreign military sales customers differed by $1.5 billion from trust fund records showing cash on hand. After considering normal processing delays, system deficiencies, and identifiable accounting errors, unexplained differences were still about $390 million. GAO was unable to determine the cause of these differences because DOD activities have not routinely reconciled all key accounting records. Unless and until these differences are explained, the correct cash balances held in trust for 97 foreign customers cannot be determined.

Recommendations: In the short range, the Secretary, DOD, should direct the military departments and the Security Assistance Accounting Center to establish adequate control over customer trust funds by: (1) identifying and correcting existing differences in trust funds and supporting detailed sales records; and (2) enforcing DOD policies requiring reconciliation of key accounting records so that unexplained differences will not arise in the future. In the long range, the Secretary, DOD, should continue actions to centralize foreign military sales accounting and disbursing as the most viable alternative to finally resolve DOD foreign military sales accounting and financial management problems.

Agency Comments/Action

DOD agreed with the short range recommendations. It deferred making a decision on the long-range recommendations of centralizing accounting and disbursing while it tests the degree to which centralization is feasible. The House Appropriations Committee held hearings on May 21, 1981, to discuss the adequacy of Defense actions on the recommendations.

Appropriations

Foreign military sales - Air Force, Army, Navy

Appropriations Committee Issues

DOD is keeping the Committees informed of its progress in testing the degree to which centralized accounting and disbursing are feasible.

DEFENSE-RELATED ACTIVITIES

FOREIGN MILITARY SALES

Review of Selected Negotiated Contracts Under the F-16 Multinational Aircraft Program (PSAD-81-3, 10-17-80)

Departments of Defense and the Air Force

Budget Function: National Defense: Department of Defense - Procurement & Contracts (0058)
Legislative Authority: Truth in Negotiations Act (Military Procurement) (P.L. 87-653). Armed Services Procurement Act of 1947 (10 U.S.C. 2301 et. seq.).

GAO reviewed 20 contract actions, valued at over $3 billion, associated with the F-16 multinational aircraft program. GAO objectives were to determine if prices negotiated by the Department of Defense (DOD) were reasonable, identify the causes of any overpricing, and suggest corrective actions.

Findings/Conclusions: GAO found overpricing of about $14.2 million. About $6 million of this amount was attributable to subcontract price options which may be subject to recovery under the Truth in Negotiations Act. When the prime contract cost sharing ratio for overruns was reduced from 100 percent to 70 percent, no adjustment was made in the contractor's profit allowance even though it had received an additional $51 million to assume full risk for overruns. This could result in the contractor's receiving an unintended reimbursement of about $13.3 million. All nonrecurring inplant materials costs are being charged to the Air Force program. Since the contractor supplies inplant materials to its European subcontractors, the European participating government (EPG) program should bear a pro rata share of these costs. The Air Force and the prime contractors and subcontractors involved were generally successful in negotiating reasonable prices. The overpricing resulted from situations in which sufficient cost data were available to the contracting officer to have supported the negotiation of a lower price; or accurate, complete, and current data were not made available to the contracting authority, resulting in overpricing that was potentially subject to downward adjustment. Essentially all of the potential defective pricing GAO identified resulted from failure to audit the vendors' proposed materials costs. The remaining overpricing resulted from poor procurement practices. Similar overpricing may exist in $896 million worth of subcontracts which GAO did not include in the review.

Recommendations: The Secretary of Defense should determine whether the amount per aircraft being recouped from EPG's for nonrecurring costs includes contractor inplant materials' nonrecurring costs being charged to the USAF contract but excluded from the EPG contract. The Secretary of Defense should review additional coproduction subcontract costs, particularly materials costs, that have not been audited and initiate appropriate action for postaward audit in those instances in which costs meet the dollar criteria set forth in Public Law 87-653. The Secretary of Defense should determine whether the Government is entitled to a price adjustment on the subcontracts for the 348 EPG buy and the prospective 400 Air Force aircraft buys, if executed, as provided for by the defective pricing clause included in the prime contract and subcontracts. The Secretary of Defense should direct the Secretary of the Air Force to (1) treat the change as void by adjusting contract documents to reflect the reversion to the original 0/100 cost overrun sharing ratio and negotiate a method for allocating cost overruns between basic ECP0006 and changes, or (2) negotiate an equitable consideration from the contractor in return for the change to a 70/30 cost overrun sharing ratio on the basic ECP0006.

Agency Comments/Action

The agency disagreed with the GAO legal position and presented its basis for disagreement. GAO reassessed its position and is processing a reaffirmation which will require another agency response. The agency had not moved on six other non-related recommendations pending resolution of this issue. However, it initiated activity to resolve the issues in August 1981.

DEFENSE-RELATED ACTIVITIES

FOREIGN MILITARY SALES

Better Accounting Needed for Foreign Countries' Deposits for Arms Purchases (AFMD-81-28, 1-30-81)

Department of Defense

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101)
Legislative Authority: International Security Assistance and Arms Export Control Act of 1976.

Concern was expressed about the policy allowing foreign countries to transfer moneys not needed to meet current obligations from their trust fund accounts to interest-bearing accounts. Specifically, GAO was asked to evaluate this policy and determine whether: (1) established collection procedures are being followed; and (2) safeguards are being established that will keep adequate funds in the United States to insure against loss in the event of arms purchase agreement cancellation.

Findings/Conclusions: GAO found that a more accurate Department of Defense (DOD) accounting system is needed to bill, collect, and disburse advance payments from foreign countries which are held in trust fund accounts to meet obligations incurred under military sales agreement. These advance payments, which totaled about $8.5 billion as of September 1980, are collected to protect the United States against loss and, therefore, should be sufficient to cover all costs and damages associated with the sales agreements, including potential contract termination costs. Foreign countries have obtained DOD approval to transfer moneys not needed to meet current obligations from their trust fund accounts with the U.S. Treasury to interest-bearing accounts. As of September 1980, about $3.5 billion of the $8.5 billion in advance deposits has been transferred to the interest-bearing accounts. Certain safeguards are needed to adequately protect U.S. interests: (1) established collection procedures must be enforced; (2) the amount of funds available for transfer into interest-bearing accounts must be accurately determined; and (3) definitive guidelines must be established by DOD for processing foreign countries' requests to invest advance payments in interest-bearing accounts.

Recommendations: The Secretary of Defense should take the following actions to protect the interests of the United States. He should establish controls to ensure that funds received for possible contract termination are not used for routine contract payments. These controls would help ensure the availability of needed funds if a foreign customer should abruptly and unilaterally cancel its foreign military sales agreement. Guidance should be developed for administration of interest-bearing accounts to specify what funds are available for such accounts, where such accounts must be maintained, and the extent to which Defense personnel may be involved in selecting commercial depositories. The Secretary should include provisions in future agreements establishing interest-bearing accounts to ensure that foreign customers are aware that any losses sustained as a result of investments made in commercial accounts are borne by the customer. Also, foreign customers with existing commercial bank accounts should be advised in writing of the risks they have assumed.

Agency Comments/Action

Defense concurred with the GAO recommendations, but all corrective actions have not been completed.

Appropriations

Foreign military sales - Department of Defense, Army, Navy, Air Force

Appropriations Committee Issues

Improvements are needed to preclude any losses of funds when moneys are deposited in commercial interest bearing accounts should a foreign country cancel foreign sales agreements.

FOREIGN MILITARY SALES

Action Needed To Improve Timeliness of Army Billings for Sales to Foreign Countries (AFMD-81-61, 4-30-81)

Departments of Defense and the Army

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101)
Legislative Authority: International Security Assistance and Arms Export Control Act of 1976.

GAO reviewed the Army accounting system used to bill and collect for foreign military sales from foreign countries' trust fund accounts.

Findings/Conclusions: GAO found that: (1) the Army has not promptly collected from trust fund accounts for goods and services delivered to foreign customers; (2) serious weaknesses exist in the Army billing system, and many deliveries were not billed at the time of shipment as required; and (3) when the Army's procedures provide for obtaining advance funds, the accounts requested do not always recover costs.

Recommendations: The Secretary of Defense should require the Commander of the U.S. Army Materiel Development and Readiness Command to place increased management emphasis on monitoring and followup efforts to ensure that foreign customers are billed for all shipments. This emphasis would include establishing and enforcing standard timeframes for completing billing actions. The Secretary of Defense should require the Commander of the U.S. Army Materiel Development and Readiness Command to establish procedures to compare amounts obtained from trust fund accounts with amounts disbursed. This procedure should ensure that adequate advances are collected by the Army when major items are procured for direct delivery to foreign military sales customers. The Secretary of Defense should also ensure that the Army devises and implements a system which provides for directly charging the foreign governments' trust fund accounts when foreign military sales items are directly obtained from contractors.

Agency Comments/Action

Defense has issued a memorandum dated April 9, 1981, to the military departments asking for increased attention to underbillings. Defense has also issued new financial procedures in a manual dated June 29, 1981, which establishes reporting timeframes amd requires the reconciliation of records. However, the Army has not implemented a system to directly cite the Trust Fund Account and plans to move to direct citing of its own fiscal stations. This is in conflict with DOD policy and the GAO recommendation to use direct citing of the FMS-Trust Fund Account whenever feasible.

Appropriations

Foreign military sales - Department of Defense, Army, Navy Air Force

Appropriations Committee Issues

The Army billing and collection process needs improved controls to ensure that foreign customers are billed for all shipments and appropriations are promptly restored.

FOREIGN MILITARY SALES

Millions in Losses Continue on Defense Stock Fund Sales to Foreign Customers (AFMD-81-62, 9-10-81)

Departments of Defense, the Army, the Air Force, and the Navy

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101)
Legislative Authority: Arms Export Control Act. DOD Manual 7290.3M. DOD Directive 7420.1.

In response to a congressional request, GAO reviewed the Department of Defense's (DOD) actions on previous GAO recommendations for improving the accounting and financial management of the foreign military sales program. The review focused on the actions taken by DOD to revise and implement the policies, procedures, and accounting systems used to price sales of stock fund items to foreign customers. Specifically, the review discussed whether prices billed to foreign customers for stock fund items were adequate to replace the items in DOD inventories and thus avoid DOD subsidization of the foreign military sales program.

Findings/Conclusions: DOD has continued to largely subsidize the foreign military sales program by not charging foreign governments the estimated replacement cost of equipment and spare parts sold from inventory through DOD stock funds. According to the Arms Export Control Act, estimates of the cost to replace items should be used when making sales to foreign countries if the items sold are to be replaced in the DOD inventory. To implement the Act, DOD policy provided for charging standard stock fund prices, which were to include an inflation factor adequate to recover the replacement costs of items sold. GAO estimated that, because of weaknesses in pricing policies and practices, millions of dollars were not recovered from foreign governments during fiscal year 1980. Inherent in the DOD pricing policy and practices were three main weaknesses: (1) inflation factors used to estimate replacement cost were unrealistically low; (2) inflation factors were not compounded when the items were purchased more than 1 year prior to their sale; and (3) the Air Force and Navy normally updated sales prices only once a year.

Recommendations: The Secretary of Defense should require that a more adequate method of estimating replacement cost be used, including: (1) adopting a more realistic inflation index; (2) compounding inflation factors when computing estimated replacement cost for those items purchased more than 1 year prior to their sale; and (3) updating foreign sales prices more frequently. The Secretary of Defense should also: (1) direct the quality control unit recently established at the Security Assistance and Accounting Center to make sure that DOD components adequately and uniformly implement revised estimating procedures; and (2) direct the military services to make a reasonable attempt to recover from foreign governments the undercharges in sales from the stock fund resulting from the failure to charge a reasonable cost as required by law.

Agency Comments/Action

DOD comments were not due until November 1981.

Appropriations

Foreign military sales - Department of Defense, Army, Air Force, Navy

Appropriations Committee Issues

DOD pricing policies and practices for sales of stock fund items still do not recover replacement costs and many millions of dollars are being lost.

DEFENSE-RELATED ACTIVITIES

INTERNAL AUDITS

The Army Inspector General's Inspections--Changing From a Compliance to a Systems Emphasis (FGMSD-80-1, 10-30-79)

Departments of Defense and the Army

Budget Function: National Defense: Defense-Related Activities (0054)

GAO reviewed the Army's inspector general operations and found several ways of strengthening its inspection system.

Findings/Conclusions: The thrust of inspections by Army personnel at lower organizational levels should be changed. Inspection reports below the headquarters level contained many nonmission related, insignificant findings. Causes of problems were often not developed because the inspections superficially covered many broad subjects in a very short time. The thrust of the inspections should be shifted from a compliance approach to one which would identify problems by tracing them through the system. Some lower level inspector general offices relied heavily on temporary inspectors who took part in the inspections and returned to their regular jobs. This resulted in reduced objectivity. More use of civilian personnel in professional positions is needed. Overinspection and duplication are problems. The Department of Defense policy regarding the release of inspector general reports as implemented by the Army for this review seemed a workable method for reviewing and obtaining copies of closed Army inspection reports.

Recommendations: The Secretary of the Army should issue directives to lower level inspectors general: on the systemic approach to inspections, the need to identify causes of problems, the inadvisability of reporting minor deficiencies, and the need to allow adequate time for a thorough inspection. The Secretary should require that before temporary inspectors conduct inspections: they be provided guidance and training on their role as inspectors, that their work be monitored to promote objectivity, and that they be selected from activities that do not have routine working relationships with the unit to be inspected. The Secretary should also require that more civilians be placed in professional positions as much as possible; and clearly define the functions of inspection, internal review, and internal audit, and eliminate duplication and overlap. Where duplication and overlap are deemed necessary, the Secretary should require that the group preforming an evaluation review and consider the work of any group. Also, inspections should be conducted on a no-notice or limited notice basis to the greatest extent possible.

Agency Comments/Action

The Army Inspector General reemphasized in his regulations a systemic approach to inspections and followups in order to identify the cause of problems. Though the Army implemented several of the GAO recommendations, it disagreed with others where it felt no actions were needed to implement them.

Appropriations

Military personnel - Army

Appropriations Committee Issues

Substantial resources could be saved or redirected if the Army reduced overinspection and duplication, used more civilian inspectors, and improved the training and oversight of temporary inspectors.

INTERNAL AUDITS

The Marine Corps Inspection System Should Use Resources More Efficiently (FGMSD-80-20, 12-20-79)

Departments of the Army, the Air Force, and the Navy, U.S. Marine Corps, and Defense Logistics Agency

Budget Function: National Defense: Defense-Related Activities (0054)
Legislative Authority: Inspector General Act of 1978 (P.L. 95-452).

The Inspector General of the Marine Corps conducts inspections and investigations as directed by the Commandant, and audits all Marine Corps nonappropriated fund activities except exchanges. The objectives of the inspection program are to evaluate: leadership and the use of resources; welfare, morale, and discipline; compliance with Marine Corps policies and procedures; work practices and safety and health conditions; and local inspection procedures. The Inspector General inspected 271 activities in fiscal year 1978 using the 11 full-time inspectors heavily aided by temporary inspectors from other Marine Corps activities. Also, the Inspector General's Field Audit Service audited the accounting practices of 146 nonappropriated fund activities with a total revenue of about $94 million.

Findings/Conclusions: The Marine Corps Inspector General's Field Audit Service can save about $1 million annually by eliminating overstaffing; GAO identified 42 of 122 positions that could be cut or reassigned without hurting operating capability. The thrust of reports are compliance oriented, contain insignificant findings, and usually do not develop the causes of problems disclosed during inspections. Staff could be used more effectively by reducing the frequency of noncombat force inspections which are twice as frequent as the combat force inspections. The extensive use of temporary inspectors just invites problems. The Field Audit Service should consist primarily of qualified civilians, thereby bringing the Marine Corps more in line with the Department of Defense policy of filling each position with a civilian unless it can be proven that a military person is required. This could also save money since civilian personnel cost less than military personnel. Overinspection and duplication are additional problems.

Recommendations: The Secretary of the Navy should direct the Commandant of the Marine Corps to: reduce the authorized staffing level of the Field Audit Service by 42 positions; analyze the structure of the Field Audit Service with the intent of further reducing authorized staff; revise the Field Audit Service staffing criteria so that individual positions, not teams of auditors, are authorized commensurate with the workload; modify the Inspector General's approach to inspections so that causes of significant problems are determined by tracing them throughout the system, including headquarters levels, with the Inspector General considering an inspection approach similar to that of the Army Inspector General; reduce the frequency of noncombat unit inspections; require that temporary inspectors' work be monitored to promote objectivity and that temporaries come from units that do not have a routine working relationship with the unit to be inspected; require that some of the inspection and most of the Field Audit Service positions be staffed with qualified civilians to the greatest extent possible; coordinate the work of the Inspector General and other review groups to eliminate duplication and require that the various review groups use each other's work to reduce the scope of their efforts; and consider conducting no-notice or limited notice inspections which might give a more accurate picture of the units' status.

Agency Comments/Action

The Marine Corps inspection system has been revised to comply partially with the GAO recommendations. The authorized staffing level of the Field Audit Service was reduced by 23 positions. This reduction resulted from implementing the GAO recommendation to authorize positions commensurate with the workload. On July 24, 1981, the Field Audit Service was transferred out of the inspection system to the Marine Corps' fiscal division, but no further position cutbacks were made. Despite the Department of the Navy's concurrence with the GAO recommendation to civilianize the Field Audit Service and the Inspection Division, both remain almost totally military and no changes are planned. The Navy did not concur with the GAO recommendation that causes of problems be determined during inspections. Rather, the analysis of causes is left to functional managers outside the inspection system with the headquarters Inspector General's office monitoring the analysis. The Inspector General is in the process of revamping the inspections schedule to reduce the frequency of noncombat unit inspections. The Inspector General system now strives to keep its temporary inspectors from inspecting units with which they now have routine working relationships. All audit reports and management analyses are provided to the Inspector General of the Marine Corps to reduce redundancy by inspections. Inspection reports, however, are generally provided only to inspected divisions in the Marine Corps. The Navy disagreed with the GAO recommendations for no-notice or limited notice inspections because the preparation for inspections is regarded as a major benefit derived from the inspection. GAO believes that such inspections might give a more accurate picture of the units' status.

Appropriations

Military personnel - U.S. Marine Corps

Appropriations Committee Issues

Substantial resources could be saved or redirected if the Marine Corps Inspector General's Field Audit Service abolished one-third of its positions. Further improvements could be made if the Marine Corps made fewer noncombat activity inspections, reduced overinspection and duplication, used more civilians, and developed causes of problems rather than reporting on compliance with rules and regulations.

DEFENSE-RELATED ACTIVITIES

INTERNAL AUDITS

The Navy's Inspection System Could Be Improved (FGMSD-80-23, 12-26-79)

Department of the Navy

Budget Function: National Defense: Defense-Related Activities (0054)

The Naval Inspector General inspection system is much smaller than the Air Force or Army systems and covers only about 20 percent of the Navy's activities; the other activities are inspected by individual commanders. Both groups rely extensively on temporary inspectors who normally are taken from the headquarters staff offices of the activity conducting the inspection.

Findings/Conclusions: The Naval inspection system differs from the Air Force and Army systems whose headquarters and command-level inspection staffs inspect the lower levels of their organizations. The Navy relies on each level within the chain of command to inspect its immediate subordinates. Generally the Inspector General does not receive copies of lower level inspection reports, and significant problems that these inspections disclose are not referred to him. While this highly decentralized system provides some formal oversight of Naval activities and prevents duplication of inspections by different levels, it could be more effective. If the headquarters Inspector General expanded his inspections to include lower level Navy activities, the Secretary of the Navy and the Chief of Naval Operations would get an independent assessment of the units' condition and a better overall picture of the state of the command. Additional full-time staff would probably be required, but the benefits of their work should justify the investment. Additional professional positions could be filled by civilians.

Recommendations: The Secretary of the Navy should ensure compliance with existing directives requiring that command inspection reports: identify causes of problems, do not address minor deficiencies, and refer significant problems disclosed by lower level inspections to the Naval headquarters Inspector General. The Secretary should also expand inspections of lower level activities to allow more indepth observations and require that civilians be used in professional positions whenever possible.

Agency Comments/Action

The need to identify causes of problems and not address minor deficiencies will be emphasized in an update of instructions to field inspectors; however, this action has not been taken and is unscheduled. The recommendation to refer significant problems disclosed by lower level inspections to the Naval headquarters Inspector General has not been implemented, and no action is planned. No actions were taken or planned to expand inspections of lower level activities to allow more indepth observations. Further civilianization has been minimal.

Appropriations

Military personnel - Navy

Appropriations Committee Issues

Substantial resources could be saved or redirected if the Department of the Navy developed more information on the underlying causes of problems disclosed during inspections and eliminated reports of minor, non-mission-related deficiencies. Also, if headquarters expanded its inspections and used civilians more often to fill professional positions, the system would be stronger.

DEFENSE-RELATED ACTIVITIES

INTERNAL AUDITS

Defense Logistics Agency Inspector General Inspections Should Change From a Compliance to a Systems Approach

(FGMSD-80-24, 12-27-79)

Defense Logistics Agency and Defense Audit Service

Budget Function: National Defense: Defense-Related Activities (0054)
Legislative Authority: Inspector General Act of 1978 (P.L. 95-452).

A review was made of the inspector general operations in the Air Force, Army, Navy, Marine Corps, and the Defense Logistics Agency (DLA). DLA has no audit capability of its own and receives only limited audit coverage from the Defense Audit Service. This lack of audit coverage increases the need for a strong inspection system. Inspection reports provide some valuable information; however, the majority of them are compliance oriented and contain many minor findings.

Findings/Conclusions: Inspections can be improved by directing them more toward identifying significant systems problems. Duplication between the Inspector General, the Defense Audit Service, and other review groups is not a problem. However, the Inspector General does not have an adequate feedback system for determining the Service's responsiveness to audit requests submitted by the Inspector General. The Defense Logistics Agency inspection system is totally centralized with all inspection personnel reporting to the Inspector General. Temporary inspectors represent less than 2 percent of the total inspection staff-days charged. Using more temporaries could allow for more frequent inspection coverage and provide other advantages. The Department of Defense has implemented a new policy for releasing Inspector General reports and records to GAO, and the new method has proven to be satisfactory.

Recommendations: The Director of DLA should direct his Inspector General to: (1) modify his inspections by concentrating more on systems problems, developing causes of these problems, and reducing reporting of minor deficiencies; (2) establish a system for identifying which audit requests submitted to the Defense Audit Service are not being addressed so that the Inspector General can identify areas which he or other Agency activities should inspect; and (3) increase the use of temporary inspectors as a means of providing more frequent inspection coverage. Temporary inspectors should be provided guidance and training on their role as inspectors, their work should be monitored to promote objectivity, and they should not have a routine working relationship with the inspected unit.

Agency Comments/Action

The Defense Logistics Agency Inspector General was directed to increase his efforts in evaluating and reporting systems problems and to minimize the formal reporting of minor deficiencies. Also, the Inspector General has developed a process to identify audit requests which cannot be scheduled so that these areas may be included in his inspections. The increased use of temporary inspectors has been minimal to date.

Appropriations

Military personnel - Defense Logistics Agency

Appropriations Committee Issues

Substantial resources could be saved or redirected if the Defense Logistics Agency (DLA) reduced reporting of minor deficiencies and shifted inspection emphasis to identifying and reporting causes of significant problems. The potential for fraud, waste, and abuse at DLA functions, coupled with the decrease of audit coverage of these activities, further dictates the need for the Inspector General to modify his inspection approach.

INTERNAL AUDITS

Disappointing Progress in Improving Systems for Resolving Billions in Audit Findings (AFMD-81-27, 1-23-81)

Office of Personnel Management and Office of Management and Budget

Budget Function: Financial Management and Information Systems: Internal Audit (1103)
Legislative Authority: Supplemental Appropriations and Rescission Act of 1980 (P.L. 96-304). OMB Circular A-73.

The Federal Government is losing billions of dollars in unresolved audit findings. A study was made to see if agencies have implemented effective audit resolution systems that meet the Office of Management and Budget's (OMB) revised guidelines and GAO and House Committee on Government Operations recommendations.

Findings/Conclusions: Although agency systems for resolving audit findings have improved somewhat, the overall progress has been disappointing. An increase in the amount of unresolved findings indicates that the problem is worsening. Of the majority of audit findings examined, officials failed to act promptly or properly to correct problems or improve operations. The audit resolution systems of the agencies reviewed lacked provisions for: (1) maintaining accurate records of findings until final disposition; (2) establishing adequate accounting and collection controls over amounts determined to be due as a result of an audit; (3) elevating disagreements and delays to an independent arbiter; (4) providing complete and accurate reports to management; (5) applying OMB Circular A-73 to all audits; (6) deciding the disposition of audit findings within 6 months and establishing final resolution schedules; (7) ensuring that decisions to reject findings are consistent with laws and regulations; and (8) coordinating corrective action with other affected agencies.

Recommendations: The heads of Federal agencies should (1) further improve audit resolution policies, procedures, and practices to comply with the intent and spirit of OMB guidelines, designating a top level manager to coordinate these efforts and prepare progress reports for OMB; (2) take legal or administrative actions against the parties involved whenever audit findings concern fraud, waste, or abuse of Federal funds; and (3) make the timeliness and quality of audit resolution a written performance standard and a factor in determining bonuses for Senior Executive Service members and merit pay for supervisors. The Inspectors General and directors of audit agencies should develop internal organizational procedures and controls for efficient and effective planning, coordinating, reviewing, and reporting of audit work and audit followup activities in accordance with GAO and other professional standards. The Director of OMB should include oversight of agency audit resolution practices in the budget review process to provide (1) an assessment of progress in establishing, revising, and implementing resolution systems; (2) an adjustment of agency budget allowances where appropriate; and (3) a report to the chairpersons of the House and Senate Committees on Appropriations on progress and action plans. The Director should also clarify Circular A-73 so that (1) it provides that periodic reports to agency heads include complete details on the resolution of findings and on the age and amounts of unresolved findings; (2) it applies to all audit reports, including contract, subgrantee, and regulatory audits; and (3) written determinations and the legal basis for nonconcurrence with audit recommendations apply to both procedural and monetary findings.

Agency Comments/Action

The House Committee on Government Operations conducted hearings in June and July of 1981 to determine agencies' progress in implementing the report's recommendations. OMB generally agreed with the report and agreed to oversee agency progress in implementing the recommendations. The Department of Defense issued new directives in January of 1981 for improved resolution of internal audit recommendations and recently drafted directives for improved resolution of contract audit recommendations, the Department of Agriculture issued improved directives for audit resolution and the Department of Commerce is presently taking action to improve its resolution system. The Inspectors General are also addressing audit resolution problems through the President's Council on Integrity and Efficiency in Government.

Appropriations

All Federal agencies

Appropriations Committee Issues

The Committees should determine whether agencies have implemented Section 305 of the Supplemental Appropriations Act of 1980 (P.L. 96-304), which requires agencies to resolve pending audits no later than September 30, 1981, and to decide on the disposition of any new audits involving questioned costs within six months.

DEFENSE-RELATED ACTIVITIES

NORTH ATLANTIC TREATY ORGANIZATION

Military Damage Claims in Germany--A Growing Burden *(ID-81-4, 10-9-80)*

Departments of Defense, the Army, and State, and North Atlantic Treaty Organization

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)
Legislative Authority: P.L. 93-365.

Because large numbers of U.S. military personnel are located in other countries, the conduct of military activities in these countries inevitably causes damages and injuries to foreign property and citizens. Most damage claims are paid to the Federal Republic of Germany (FRG). Under the North Atlantic Treaty Organization Status of Forces Agreement (NATO SOFA), the U.S. Army Claims Service, Europe (USACSEUR) provides reimbursements to FRG for the U.S. share of claims settlements. The normal rate of U.S. reimbursement is 75 percent of amounts actually paid to claimants by FRG; the remaining 25 percent is absorbed by FRG. These reimbursements have been steadily increasing in recent years. GAO reviewed the amount and types of host nation support and cost sharing provided to U.S. forces stationed overseas. The review focused on FRG because most of the claims resulted from damages caused by military training maneuvers there. The reasons for the large increases in the amount of damage claims paid by U.S. forces overseas, the administration of the claims payment process by the Department of Defense (DOD), and the possibilities for reducing U.S. damage claim costs through more equitable cost sharing or other methods were examined.

Findings/Conclusions: The increasing cost of damage claims in FRG has been partly caused by factors such as larger exercises and the dollar devaluation. Claims reimbursements to FRG in recent years have been somewhat chaotic because of the inability of USACSEUR to accurately forecast its requirements. While USACSEUR believes an indefinite appropriation would solve its funding problems, GAO is not convinced that such a funding mechanism would provide the necessary discipline and control needed. GAO was impressed with the professionalism and expertise of the FRG claims examiners, and had no reason to doubt the accuracy or integrity of the FRG Defense Claims Office. However, the almost total lack of U.S. involvement in verifying even the very large dollar amount claims is questionable. Because claims have greatly increased in cost, it is reasonable to expect increased surveillance and monitoring of the claims payments. With the cost of damage claims rising and just two countries bearing the bulk of these costs, it may be time to consider an alternative funding method. Because the training exercises benefit the entire NATO alliance, not just the maneuvering force and the host country, one possible alternative would be to shift the damage claims burden to the alliance through some sort of negotiated cost sharing formula.

Recommendations: The Secretary of Defense should strengthen USACSEUR capability to verify high-cost damage claims in FRG through the use of qualified engineering personnel already stationed in FRG. If such personnel cannot be used on a part-time basis, the Secretary should provide resources to USACSEUR to obtain a qualified staff member to perform this function. The Secretaries of State and Defense should take appropriate action to obtain FRG cooperation in jointly projecting more accurate annual funding requirements and in establishing a mutually acceptable monthly reimbursement level. GAO believes that this action will contribute positively toward resolving the annual budgetary and shortfall problems. The Secretary of Defense should expedite ongoing actions to modernize the data collection and analysis system for improving budgetary judgments and other overall management needs of USASCEUR. The Secretaries of State and Defense should develop a cost sharing strategy for damage claims which considers (1) including claims in bilateral cost sharing negotiations with FRG; and (2) approaching the North Atlantic Council under the provisions of paragraph 5(f) of the NATO SOFA seeking relief from the increasing damage claims burden.

Agency Comments/Action

DOD agreed to increase the ability of the Claims Service to verify high-dollar value claims independently and to approach the Germans to work out a better estimating and forecasting system. DOD did not agree, however, that it should try to arrange a different cost-sharing formula.

Appropriations

Operation and maintenance - Army

Appropriations Committee Issues

The Committees should continue to monitor Army damage claims to see if DOD actions have an impact on reducing damage claims in Germany.

DEFENSE-RELATED ACTIVITIES

NORTH ATLANTIC TREATY ORGANIZATION

Department of Defense Still Paying Some Foreign Taxes
(C-ID-81-2, 12-15-80)

Unclassified digest of a classified report.

Departments of Defense, the Air Force, and the Navy

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)

Since the early 1900's, Congress has expressed concern that the United States not pay taxes to foreign governments on defense activities overseas. In 1979, the House Committee on Appropriations noted that some tax payments were continuing and reiterated its longstanding objection to such payments. In its fiscal year 1980 report, the Committee deleted funds in Department of Defense appropriations earmarked for this purpose. In 1981 appropriations for military construction, Congress expressly banned the use of funds for the payment of property taxes to any foreign government.

Findings/Conclusions: The Departments of State and Defense have made some progress in reducing the tax burden on U.S. forces overseas. In the United Kingdom, the percentage of the tax assessment that is billed to U.S. forces has been negotiated downward and offsetting credits have been applied toward the U.S. obligation. The United States has also been afforded some tax relief in Germany, but German officials have been adamant in insisting on payments of taxes on family housing, calling them public charges, not taxes. In these two countries, where over half of all U.S. forces deployed overseas are stationed, the United States still pays millions of dollars in taxes.

Recommendations: The Secretary of Defense should study the German trade tax law liability to determine whether the changed status of the Mainz Army depot justifies tax exemption. The Secretary of Defense should conduct a special property tax study to develop data on services provided to U.S. forces by local taxing bodies in return for payment of the land tax on family housing, and the extent to which U.S. personnel and dependents use those services. The Secretary of State should strengthen the Interagency Committee on Foreign Tax Relief. The Secretary of Defense should reemphasize the importance of the Foreign Tax Relief Program and assure that local commands maintain current country tax law studies and prepare comprehensive annual reports. The Secretary of State should examine the agreement with the United Kingdom to pay contributions in lieu of rates on U.S. diplomatic property to assure that the agreement affords the U.S. Government benefits commensurate with those provided to British Government property in the United States.

Agency Comments/Action

Negotiations were initiated with the United Kingdom and Germany to try to reduce certain tax charges.

Appropriations

Family housing - Department of Defense
Operation and maintenance - Army, Navy, Air Force

Appropriations Committee Issues

The Committees should monitor the progress in negotiations seeking to reduce or eliminate tax charges in the United Kingdom and Germany.

DEFENSE-RELATED ACTIVITIES

NORTH ATLANTIC TREATY ORGANIZATION

Increased Cost Sharing for U.S. Forces in Europe Needs a More Systematic Approach (C-ID-81-3, 1-19-81)

Unclassified digest of a classified report.

Departments of Defense and State, and North Atlantic Treaty Organization
Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)

The question of whether North Atlantic Treaty Organization (NATO) allies should share more U.S. station costs and if so, how much, has not been resolved. Supporting military and related civilian personnel stationed in Europe is costly. Congress has indicated a strong desire to reduce this financial burden by encouraging the President to seek increased peacetime host nation cost sharing. However, the Departments of Defense and State are attempting to commit host nations to provide wartime support and improve allied defense capabilities.

Findings/Conclusions: Currently, host nations contribute directly and indirectly to support U.S. forces. Neither State nor Defense routinely monitors the types and amount of support provided. Increasing host nation contributions is possible without renegotiating the status of force agreements. Past cost sharing programs have included the rehabilitation and construction of defense-related facilities and various types of cost sharing arrangements to ease U.S. stationing costs. The U.S. share of the NATO infrastructure facility construction program has decreased. Several other arrangements have provided needed facilities to the United States at less than full cost. The NATO Status of Forces Agreement and the Supplementary Agreement are generally not considered to be cost sharing arrangements. The Status of Forces Agreement allows for separate bilateral arrangements between the United States and its host nations. The Supplementary Agreement specifies many financial obligations for the United States, including construction, maintenance of facilities, design and engineering fees, labor payroll administration charges, operating expenses, and public charges for the use of property. The United States potentially could lose favorable provisions if it attempted to inject cost sharing arrangements into these agreements and could become involved in complicated and time consuming multilateral negotiations. Peacetime cost sharing might be possible in the areas of facility and housing construction, pollution abatement, local national payroll, taxes and service charges, and damage claims.

Recommendations: The Secretaries of Defense and State should explore, depending on goals and policies established, various areas for increasing allied contributions. The Secretaries of Defense and State should jointly develop implementing guidance for seeking additional support to assist components in identifying areas in which they should seek additional support. The Secretary of Defense should establish a system within European commands for identifying, collecting, and reporting data on types and amounts of support NATO allies provide to monitor and evaluate accomplishments resulting from cost sharing initiatives. The Secretary of Defense should incorporate as a part of Defense's annual budget submission to the Congress the status of meeting established cost sharing goals, including the information discussed above. The Secretaries of Defense and State should jointly determine the types and amounts of cost sharing the United States should seek from the various allies and establish appropriate policies and goals.

Agency Comments/Action

Defense agreed to establish cost sharing goals for allied countries and to assemble a data base of country contributions to U.S. forces. Defense did not agree, though, that this information should be provided to Congress with appropriations requests. Defense and State are approaching the United Kingdom to obtain relief from some charges.

Appropriations

Operation and maintenance - Army, Air Force
Military construction - Army, Air Force

Appropriations Committee Issues

The appropriate level and type of burdensharing by U.S. allies will continue to be important issues in NATO.

DEFENSE-RELATED ACTIVITIES

PERSONNEL SECURITY

Faster Processing of DOD Personnel Security Clearances Could Avoid Millions in Losses (GGD-81-105, 9-15-81)

Departments of Defense and Justice, and Office of Management and Budget

Budget Function: National Defense: Department of Defense - Procurement & Contracts (0058)
Legislative Authority: Executive Order 12065.

As part of a continuing review, GAO reported on the delays in the processing of security clearances for the Department of Defense (DOD) and contractor personnel. These delays are costly and increase the risks to national security. This is the sixth in a series of reports reviewing the protection of national security information. In accordance with Executive Order 12065, national security information is classified at three levels--top secret, secret, and confidential. To obtain a clearance, several types of investigations are necessary. These include a background investigation and a national agency check which includes an examination of criminal and security files at the Federal Bureau of Investigation (FBI) and other Federal agencies.

Findings/Conclusions: Requests for security clearances increased approximately 18 percent between 1978 and 1980, and estimates for 1981 and subsequent years show a continuing increase. Although DOD standards for processing requests for background investigations and national agency checks are 90 and 30 days, respectively, as of May 1981, industry requests for clearances were taking an average of 220 and 103 days, respectively. GAO estimated that the delays in processing DOD requests could cost about $580 million in 1982. Furthermore, in July 1981, the Secretary of Defense was notified that clearance delays resulted in costly slippage in initiation or schedules of classified contracts and some degradation of operational readiness. The urgency of some of the programs and the extensive delays in obtaining clearances have forced DOD to issue an increasing number of interim clearances. These clearances are followed at a later date by background investigations and national agency checks. Some interim clearances have been revoked because the subsequent investigations disclosed derogatory information. GAO believes that the increase in the use of interim clearances increases the risks to national security. The size of the Defense Investigative Service making investigations required for top secret and secret clearances has not kept pace with the increase in clearance requests. GAO believes that additional investigators and support staff are needed to reduce the time involved in obtaining a clearance.

Recommendations: The Secretary of Defense should reprogram the 1982 budget to provide the authority to the Defense Investigative Service to hire the additional personnel needed to expedite the investigation and processing of personnel security clearances. The Attorney General should request, and the Director of the Office of Management and Budget, should approve authority for the FBI to increase the number of personnel in the Identification Division. The Attorney General should expedite the implementation of the proposed automation program in the Identification Division.

Agency Comments/Action

DOD has programmed for 200 of the additional investigators needed by Defense Investigative Service.

Appropriations

Fingerprint identification - Department of Justice, Federal Bureau of Investigation
Personnel security clearances - Department of Defense, Defense Investigative Service

PRODUCTIVITY

Improving the Productivity of Federal Payment Centers Could Save Millions (FGMSD-80-13, 2-12-80)

Office of Management and Budget

Budget Function: General Government: Other General Government (0806)
Legislative Authority: Civil Service Reform Act of 1978. 20 U.S.C. 2307. 31 U.S.C. 529. 41 U.S.C. 255.

Inefficiencies in processing payments to vendors for goods and services cost the Federal Government millions annually. For example, productivity rates achieved by Federal payment centers in the vendor bill-payment function varied by about 600 percent. Although the bill-payment function is a readily measurable, repetitive process, most payment centers GAO examined did not have productivity measures. Thus, GAO constructed many of the measures on which the performance data was based. GAO determined three primary reasons for the large variance: (1) the degree of management concern for, and use of, efficiency measures; (2) the volume of workload processed by the centers; and (3) the degree to which automation or improved processes and procedures were used in the payment process.

Findings/Conclusions: According to payment center managers, the major cause of low productivity were the disincentives to be efficient. These disincentives included: (1) across-the-board budget cuts, which encouraged managers to keep staff above minimum levels in order to absorb the cuts and still perform the work; (2) tying grade levels to number of staff supervised; and (3) inability of managers to discipline employees who do not perform. Alternatively, the managers of payment centers with high productivity showed a high degree of concern about productivity and had reasonably good systems designed to identify expected performance and measure against it. However, one nonprocedural factor that affected productivity was workload volume. Payment centers with large workloads normally achieved higher productivity rates than centers with low volumes. High volume allowed economies of scale and assembly-line techniques to be used. Just as automation and statistical sampling contributed to high productivity rates, duplication of effort, problems in timely submission of receiving reports, and limited sharing of knowledge on processing rates and methods used to improve efficiency contributed to the low processing rates. Newly enacted legislation should help make managers more acutely aware of the need for emphasizing productivity. However, GAO does not feel that legislation alone would result in a significant increase in productivity measurement. The Office of Personnel Management (OPM) needs to take an active role in supporting productivity measurements.

Recommendations: The heads of individual departments and agencies should develop systematic measures of productivity covering their payment centers. In addition, these departments and agencies in order to improve productivity should: (1) eliminate or consolidate payment centers which, due to low volume, cannot be made efficient; (2) use alternatives to receiving reports such as fast-pay procedures, where possible; (3) analyze the processes and procedures used in examining payment transactions to identify and eliminate unnecessary or redundant steps; (4) use statistical sampling techniques in auditing payment transactions in accord with GAO requirements; and (5) initiate periodic exchange of information on methods and procedures between payment centers that are within the same agency and with other agencies. Additionally, for payment centers and related financial management functions, the Joint Financial Management Improvement Program has a role which OPM should consider drawing upon. GAO further recommends that the Executive Director, Joint Financial Management Improvement Program, request that agencies report the progress made in measuring and improving productivity within their payment centers as part of the agency's annual financial management improvement report.

Agency Comments/Action

The recommendations were strongly supported by most Federal agencies. OPM is planning a workshop for Federal agencies on the subject and most agencies are planning to implement the recommendations.

Appropriations

All Federal agencies

Appropriations Committee Issues

The Committees should determine if agencies are taking actions to improve the productivity of the payment process. They should also determine whether OPM and the Office of Management and Budget have taken actions to encourage productivity improvement in the payment process by developing standards and measures and using them in the budget process. In following up on this report, GAO found that agencies were generally in agreement that actions were needed, but that their plans were vague.

DEFENSE-RELATED ACTIVITIES

PRODUCTIVITY

Increased Productivity in Processing Travel Claims Can Cut Administrative Costs Significantly (AFMD-81-18, 1-19-81)

Departments of Defense, Energy, Health and Human Services, Housing and Urban Development, Transportation, the Interior, and the Treasury; Environmental Protection Agency; Veterans Administration; National Aeronautics and Space Administration; and General Services Administration

Budget Function: General Government: Other General Government (0806)
Legislative Authority: Subsistence Expense Act (44 Stat. 688). 5 U.S.C. 57. 37 U.S.C. 7.

GAO examined the productivity in processing travel claims in response to a congressional request.

Findings/Conclusions: The processing of claims for travel expenses incurred by Federal employees is annually costing several million dollars more than necessary. This amount could be cut significantly by: (1) replacing the reimbursement method used for high cost areas with the method of reimbursing for lodging, plus a flat fee for meals and miscellaneous expenses; (2) eliminating redundant, overly detailed supervisory reviews and unnecessary typing of vouchers; and (3) improving voucher auditing activities at payment centers. The processing of vouchers is expensive and not offset by savings. The presently used high rate (actual cost) method of reimbursing travel provides payment of actual expenses up to a predetermined ceiling. Because it requires detailed itemization, it costs nearly twice as much to process by this method as the lodgings-plus method. Travel voucher processing productivity is also low due to unnecessarily detailed reviews by supervisors and unnecessary typing. Productivity in auditing vouchers at payment centers was impeded by an overconcern for accuracy and by poor processing practices. The General Services Administration (GSA) has proposed to change lodgings-plus reimbursement for domestic travel to make it compatible with its proposed worldwide reimbursement system. The method, as presently proposed, will be very difficult and expensive to administer. Agency payment center officials contacted felt that the proposed method would double the processing costs for lodgings-plus vouchers.

Recommendations: The heads of departments and agencies listed in appendix VII should examine each payment center to determine what actions can be taken to increase productivity. The Administrator of GSA should include in the Federal Travel Regulations a statement of the responsibilities of payment center examiners in auditing vouchers. The Secretary of Defense should direct the Defense Per Diem Committee to adopt the two-tier, lodgings-plus method for reimbursing military travel and, in conjunction with GSA, propose legislation to replace the high rate method with a two-tier, lodgings-plus method. The Administrator of GSA should direct that the proposal to add en route reimbursement to the lodgings-plus method be revised as GAO suggested. The Administrator of GSA should include in the Federal Travel Regulations a requirement for supervisory review of travel vouchers and an explanation of the purpose of such reviews, of which one level is sufficient. The Administrator of GSA should include in the Federal Travel Regulations instructions that typing of vouchers is not required and should not be done when travelers prepare legible, handwritten vouchers. The heads of departments and agencies listed in appendix VII should establish productivity measures for travel voucher processing as part of their payment center productivity measures, which GAO recommended in the report entitled, "Improving the Productivity of Federal Payment Centers Could Save Millions," FGMSD-80-13, Feb. 12, 1980. The Administrator of GSA should propose legislation to replace the high rate geographic area method with a two-tier, lodgings-plus method and increase the maximum amount reimbursable for lodgings-plus to such a level to allow for cost growth without getting congressional approval for each new ceiling.

Agency Comments/Action

OMB issued a comprehensive travel report which incorporated the major recommendations. Committees have been established among GSA, DOD, and the Department of State to act on the OMB recommendations. GSA and DOD agreed in principle to the GAO recommendations for a change in the method of reimbursing travel expenses. GSA also agreed to make the recommended additions to its travel regulations. The heads of departments and agencies addressed agreed to examine payment centers and see what actions can be taken to improve productivity. Several cited actions they had taken, most commonly to use statistical sampling in auditing vouchers.

Appropriations

Operating expenses - Army, Navy, Air Force
Operation and maintenance - Army, Navy, Air Force

Appropriations Committee Issues

The Committees should consider appropriate legislation to change the method of reimbursing travel claims.

DEFENSE-RELATED ACTIVITIES

PRODUCTIVITY

Incentive Programs To Improve Productivity Through Capital Investments Can Work (AFMD-81-43, 4-20-81)

Departments of Defense, the Army, the Navy, and the Air Force

Budget Function: National Defense: Department of Defense - Procurement & Contracts (0058)

The primary source of improved national productivity has traditionally been new and technologically advanced capital equipment. Recognizing this, the Department of Defense (DOD) established a number of programs in the 1970's to simplify the procurement of productivity enhancing capital equipment. One such program entailed the establishment by Congress of special funds for buying equipment that would pay for itself in 2 years through cost savings. Now called the Productivity Enhancing Incentive Fund (PEIF), the program was reviewed by GAO in 1978. Concurrently, Congress temporarily stopped funding the program because of its concern over circumvention of the normal budget process. In the 1978 report, GAO supported the PEIF concept and recommended its reestablishment, while simultaneously pointing out program deficiencies. As a result, Congress reinstituted the program in 1979.

Findings/Conclusions: Except for the Navy, the services' program management has improved since the 1978 review. The Air Force and Army efforts have demonstrated that, under the program, good ideas can be quickly evaluated and funded and savings made promptly. However, the full potential of this fast payback program has not been realized because of inadequate management attention. The Air Force and the Army need to improve their postinvestment analysis and reporting to clearly demonstrate PEIF program benefits and meet congressional requirements. The Navy particularily has not devoted the management resources and emphasis needed to ensure a successful and credible PEIF program. GAO found that: (1) the Navy's program was not being adequately promoted; (2) Navy guidance did not fully comply with DOD and congressional guidance; (3) extensive delays occurred between investment identification and installation; (4) the justification for many approved projects was invalid or insupportable; and (5) postinstallation analyses were inadequate.

Recommendations: The Secretaries of the Air Force and Army should take action to enhance the program's credibility by (1) establishing a system of independent, onsite postaudits to validate savings achieved; and (2) submitting, as part of the budget process, the required reports on where savings have been realized and applied. The Secretary of the Navy should request no additional funding for the PEIF program until an action plan for improving program management is developed and then reviewed and approved by the Secretary of Defense. The Secretary of Defense should require the Director of the Defense Productivity Program Office to evaluate the relative merits of all capital investment incentive programs for which it has responsibility to determine whether or not resources needed to ensure proper program implementation and guidance can be made available to the PEIF program. If needed resources cannot be found with the Defense Productivity Program Office, the Secretary should consider other alternatives such as reallocating resources from other programs, hiring additional personnel, or terminating the PEIF program.

Agency Comments/Action

The Department of Defense agreed with most of the findings and recommendations. The Departments of the Army and the Air Force have, as a result of the GAO review, taken action to improve their postinvestment evaluation efforts and expanded the criteria for program evaluation and audit requirements. The Navy is developing a plan of action to correct program deficiencies and to improve project documentation and followup. The Office of the Secretary of Defense (OSD) will review the Navy's plan and has agreed to more closely monitor individual component programs.

Appropriations

Productivity Enhancing Capital Investment Program - Department of Defense

Appropriations Committee Issues

Until the Navy plan has been approved by OSD, funds appropriated for FY 1982 will not be made available for obligation by the Navy. The Subcommittee on Defense, House Committee on Appropriations, should be cognizant of OSD and Navy efforts to improve the PEIF program when considering FY 1982 appropriations.

DEFENSE-RELATED ACTIVITIES

PRODUCTIVITY

Employment Trends and Grade Controls in the DOD General Schedule Work Force (FPCD-81-52, 7-28-81)

Department of Defense

Budget Function: General Government: Central Personnel Management (0805)
Legislative Authority: Department of Defense Authorization Act, 1981.

In response to a congressional request, GAO reviewed and summarized the changes in the grade structure of the Department of Defense (DOD) General Schedule workforce over the past 16 years.

Findings/Conclusions: During the past 16 years, DOD increased the number of its General Schedule employees by 9 percent and the average grade increased by over .5 percent. These employment changes were caused in large part by an advanced technology and increased complexity of defense work, which have combined to create the need for a more professional, technically oriented workforce. In addition, the following personnel policies and organizational factors affected the workforce and its grade distribution: (1) limitations on hiring reduced DOD ability to fill entry-level positions; (2) promotion actions coupled with reduced entry hiring caused the average grade to rise; (3) attrition rates were highest among entry level personnel, so that DOD retained a larger number of higher grade employees; (4) the number and mix of personnel (civilian, military, contract) which a service employs to perform professional, administrative, technical, and clerical work affected the grade distribution; (5) consolidations often permitted the merger of administrative support functions thereby decreasing the number of lower grade personnel; (6) for the past 16 years there has been a substantial growth in the number of Defense agencies requiring personnel with more specialized managerial and technical skills; and (7) the less complex and lower grade work was most easily performed by contract labor.

Recommendations: Congress should, during oversight hearings, require DOD components to report on the adequacy of position management programs including (1) results of onsite personnel management evaluations, (2) specific cost efficiencies and improvements planned and accomplished as a result of these programs, and (3) specific sanctions applied in cases of grossly negligent or intentionally poor classification or position management. Congress should, where a DOD component demonstrates that it has implemented an effective position management program, use it as the control mechanism in lieu of high grade, average grade, or similar control mechanisms. The Secretary of Defense should take actions to insure that each component complies with DOD policy guidance on position management. The Secretary of Defense should require supervisory/managerial performance appraisals to include position management as a critical element whenever position management deficiencies exist.

Agency Comments/Action

Agency comments were not available as of September 30, 1981.

Appropriations

Military personnel - Army, Navy, Air Force

DEFENSE-RELATED ACTIVITIES

RESEARCH AND DEVELOPMENT

The Department of Defense's High-Energy Laser Technology Program--Direction and Focus (C-PSAD-81-3, 12-2-80)

Unclassified digest of a classified report.

Departments of Defense, the Air Force, the Army, and the Navy

Budget Function: National Defense (0050)

GAO reviewed the High-Energy Laser Technology Program of the Department of Defense (DOD). Since the late 1960's, DOD has been pursuing the technology to determine the feasibility of developing high-energy laser weapon systems. If proven to be useful weapons, lasers could destroy or incapacitate selected targets. According to DOD, such weapons could provide significant supplements to existing weaponry and fill voids in some mission applications in both the tactical and strategic areas. In addition to speed, other expected advantages are that the weapon would be less affected by the evasive maneuvering of targets, would provide multi-engagement and rapid retargeting capabilities, and would minimize collateral damage.

Findings/Conclusions: The high-energy laser program is the largest single technology-based program DOD has underway. To date, DOD has spent about $1.5 billion and plans an additional $1 billion through fiscal year 1985. Decisions on whether to prototype a high-energy laser weapon have been deferred to 1985 and possibly beyond. DOD has accomplished several laser technology advances. However, many fundamental issues remain to be resolved before the overall feasibility of developing a laser weapon system can be determined. The technology necessary to reach decisions on weapon feasibility is not available. The Directed Energy Programs Office was recently established to manage and direct the program. However, the Director of this office has only one staff member and the office can do little more than attempt to prevent duplication among the independently managed programs. As a result, the services and DOD continue in their independent attempts to develop technologies for various applications. However, to date, there has been no assessment by DOD of how high-energy laser technology could best serve the national security needs. A recent Defense Science Board study recommended that the high-energy laser program objective be redefined and that its management be restructured to a centralized approach. GAO believes that the recommendation would be a first step toward providing more focus and direction to the program.

Recommendations: The Secretary of Defense should perform an assessment considering the high-energy laser technology available now, the high-energy laser technology potentially available in the short- and long-term, and the military needs high-energy laser weapons might best be able to satisfy. The Secretary of Defense should reconsider the decision not to restructure the High-Energy Laser Technology Program management approach.

Agency Comments/Action

The Department of Defense disagreed with the GAO recommendations. It stated that sufficient studies have already been completed about the short- and long-term potential of high energy lasers. Further, the existing management structure was adequate for the existing laser program.

Appropriations

Research, development, test, and evaluation - Department of Defense, Army, Navy, Air Force

Appropriations Committee Issues

Because of the potential for high-energy lasers to perform military missions, the relative cost, and the proliferation of the effort underway, the management structure for lasers should be continually monitored and adjusted to better exploit laser technology.

DEFENSE-RELATED ACTIVITIES

SECURITY ASSISTANCE PROGRAM

Appropriateness of Procedures for Leasing Defense Property to Foreign Governments (ID-81-36, 4-27-81)

Departments of Defense, the Army, the Air Force, and the Navy

Budget Function: National Defense: Defense-Related Activities (0054)
Legislative Authority: Arms Export Control Act (22 U.S.C. 2751 et seq.). 10 U.S.C. 2667. Foreign Assistance Act of 1965 (22 U.S.C. 215 et seq.). International Security Assistance and Arms Export Control Act of 1976 (P.L. 94-329). P.L. 82-155. P.L. 80-364.

The Senate Foreign Relations Committee requested a review of the implementation of the defense property leasing authority contained in 10 U.S.C. 2667 which enables the Secretaries of the military departments to lease nonexcess property when it is determined to be in the public interest or will promote national defense. Originally, the law was intended to aid the industrial facilities standby programs of the military services after World War II by authorizing the lease of defense plant production equipment and real property to domestic private enterprises. However, in recent times, the law has been used to transfer military equipment to foreign countries.

Findings/Conclusions: The transfer of military equipment to a foreign government on this basis is tantamount to providing grant aid which should only be authorized under the Foreign Assistance Act (FAA). The alternative is to sell the equipment under the Arms Export Control Act, if the provisions of that Act are otherwise met. Military equipment has been transferred to foreign countries primarily on a grant basis under FAA or through sales made under the Arms Export Control Act. When property is leased to foreign governments under 10 U.S.C. 2667, the restrictions on eligible countries contained in FAA and the Arms Export Control Act have been avoided. Adoption of the Arms Export Control Act dollar threshold in the International Security and Development Cooperation Act of 1980 will prevent further avoidance of the reporting requirements. Often the value of leased property is based upon an acquisition cost that is several years old and not equivalent to the property's replacement cost should it not be returned to the United States. Neither the military departments nor the Department of Defense has established procedures or instructions requiring leases to be managed in such a way as to ensure that lessee countries comply with the terms and conditions contained in lease agreements. As a result, the use, care, and maintenance of leased property are not routinely verified during the lease time. Because there is no established standard policy for the billing and collection of lease-associated payments, officials cannot always determine the status of lease payments.

Recommendations: Congress should amend 10 U.S.C. 2667 to prohibit the lease of defense property to foreign governments on a rent-free or nominal-rent basis. Equipment transferred on this basis should be done exclusively under the authority of the Foreign Assistance Act. The Secretary of Defense should direct the Secretaries of the Army, Navy, and Air Force to establish management control and accountability procedures over leased property. These procedures should require the monitoring of lessee compliance with the terms in lease agreements as well as the assurance that all lease payments are made when due.

Agency Comments/Action

DOD officials agreed with the recommendation to establish uniform procedures whereby leases are implemented and monitored; however, no action has as yet been taken. They generally disagreed with the other recommendation and based their disagreement on their opinion that leases made for the benefit of the United States as well as the lessee should be made on a rent-free basis.

Appropriations

Operation and maintenance - Army, Navy, Air Force

DEFENSE-RELATED ACTIVITIES

SECURITY ASSISTANCE PROGRAM

The Roles and Functions of Overseas Security Assistance Offices Need To Be Clarified (ID-81-47, 5-29-81)

Departments of Defense and State, and National Security Council

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)
Legislative Authority: Foreign Assistance Act of 1966. International Security Assistance Act of 1977 (P.L. 95-92). Security Assistance Act of 1979 (Internal). DOD Directive 2000.10.

A study was conducted to determine the activities of the overseas Security Assistance Offices (SAO). An examination was made of the need to change a section of the Foreign Assistance Act of 1961 to better recognize what these offices actually do. The role of the Unified Commands in the security assistance management process was reviewed, and the reasons for and against consolidating the security assistance function with the defense attache function in overseas missions were weighed.

Findings/Conclusions: The Act authorizes three types of offices that include the: (1) Military Assistance and Advisory Group which is responsible for logistics management, transportation, fiscal management, and contract administration; (2) Office of Defense Cooperation which performs accounting and other management functions; and (3) Defense Attache Office which performs security assistance management functions in countries where the President determines that it is economically feasible. All three types of offices perform basically the same duties but their involvement in these functions varies in degree and scope. The offices perform activities which relate directly to assisting the host country obtain equipment, services, and training under the security assistance programs. They also are providing advisory assistance on a routine basis. The assistance provided is directed at improving the host country's ability to procure, install, use, and maintain its military equipment and systems. Assistance is also given in force structure, force development, and operations. Some offices devote considerable staff resources to performing activities not specifically related to managing the security assistance program, but which are defense related. This is a result of the offices being the only U.S. military organization in a particular country. In addition, the offices also: assist and coordinate combined military exercises conducted within the host country territorial boundaries, provide in-country support for U.S. military retirees, and sponsor or attend ceremonial functions.

Recommendations: The Secretaries of State and Defense should decide what the roles, missions, and functions of SAO's should be on a country-by-country basis and determine the numbers of U.S. personnel needed to perform such functions. The Secretaries of State and Defense should provide information to Congress about the functions of SAO's and the numbers of U.S. personnel needed. They should also recommend changes to section 515 of the Foreign Assistance Act necessary to better recognize the appropriate functions of SAO's. The Secretaries of State and Defense should each provide details, on both the advantages and disadvantages of consolidating the security assistance functions, to the authorizing committees prior to any further consolidations of the functions. The Secretary of Defense should independently examine the Unified Commands' current security assistance organizational structure and staff levels to determine if staff reductions are possible and, if so, to reassign staff appropriately.

Agency Comments/Action

The Department of Defense identified the roles and functions of SAO's and proposed changes to Section 515 of the Foreign Assistance Act along with the number of personnel needed. Defense did not agree with the recommendations on providing details on the advantages and disadvantages of the consolidation issue to the Committees and on the need for the Secretary of Defense to conduct an independent examination of Unified Commands' security assistance organization and staff levels.

Appropriations

Military personnel - Army, Navy, Air Force
Foreign assistance and related appropriations - Army, Navy, Air Force

Appropriations Committee Issues

The Committees should examine the status of staffing in SAO's in the Unified Commands to ascertain whether Defense has made any further staff reductions because of the diminished role the Commands have played in managing the Security Assistance Program.

CONTRACTS

Federal Agencies Should Be Given Multiyear Contracting Authority for Supplies and Services (PSAD-78-54, 1-10-78)

Departments of the Army, the Navy, and the Air Force

Budget Function: General Government: Other General Government (0806)
Legislative Authority: Federal Property and Administrative Services Act (40 U.S.C. 481). Adequacy of Appropriations Act (41 U.S.C. 11). Anti-Deficiency Act (31 U.S.C. 665). (P.L. 90-378; 10 U.S.C. 2306(g)). Small Business Act. 15 U.S.C. 631(a). 10 U.S.C. 712a. 20 Comp. Gen. 437. 33 Comp. Gen. 57. 33 Comp. Gen. 90. 42 Comp. Gen. 272. 43 Comp. Gen. 657. S. 2309 (94th Cong.). S. 3005 (94th Cong.) S. 1264 (95th Cong.). S. 1491 (95th Cong.).

Federal agencies operating under annual appropriations generally are prohibited from entering into contracts for needs occurring beyond the year for which the appropriation is made. Multiyear contracts entitle the Government to purchase services or supplies from contractors for more than 1 year. The Commission on Government Procurement has recommended that Congress enact legislation to permit multiyear contracting of supplies and services using annual or multiyear appropriations.

Findings/Conclusions: Federal agencies with either funding or statutory authority for multiyear procurement benefit from reduced contract prices and other advantages. Annual savings of $3 million resulting from multiyear procurement were identified on 26 contracts having an annual cost of $14 million. The benefits of multiyear procurement include: contract prices may be reduced for agency service and supply needs, Federal agencies' administrative costs can be reduced, the quality of performance and service could increase, and competition could increase for the initial award of a government contract. Generally, the advantages of multiyear procurement outweigh the disadvantages.

Recommendations: Congress should enact legislation authorizing multiyear procurement for Federal agencies and provide for the Office of Federal Procurement Policy to develop appropriate criteria for use of the procurement method, require responsible agency officials to determine when the criteria are met, and provide for the payment of cancellation costs.

Agency Comments/Action

The agencies commented that the advantages of multiyear procurement outweigh the disadvantages and that it would be an advantageous procurement method. They concurred with the recommendations regarding the need for multiyear contracting authority and the development of criteria for its use. No significant events have happened since the report was issued.

Appropriations

Procurement - Army, Navy, Air Force

Appropriations Committee Issues

GAO believes Congress should enact legislation authorizing general multiyear contracting authority for Federal agencies and provide for the Office of Federal Procurement Policy to develop appropriate criteria to guide the agencies in its use.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

CONTRACTS

Opportunity To Reduce Cost of the Navy's Contract for Patrol Hydrofoil Missile Ships (PSAD-80-3, 10-18-79)

Departments of Defense and the Navy, and Defense Contract Audit Agency

Budget Function: National Defense: Department of Defense - Procurement & Contracts (0058)
Legislative Authority: P.L. 87-653.

A review of a Navy fixed-price contract found a contract price overstatement due to use of the ceiling price for a subcontract rather than the target price. The examination was part of a contract pricing review of contracts awarded to major Department of Defense (DOD) contractors with the objective of determining the reasonableness of contract price as it relates to pricing data available to the contactor at the time of contract negotiation.

Findings/Conclusions: The prime contractor used the established ceiling price for a sole-source, fixed-price, incentive-type subcontract rather than the target price as normally included on proposals. The project officer's representative felt that circumstances might warrant the use of a price other than the target price, and that in this case it was a prudent management decision as costs later approximated the ceiling price. GAO felt that the use of the ceiling price protects the contractor from sharing the cost overruns of its subcontractors, and removes incentives to manage subcontractors in a manner that assures cost minimization. Further, the contract requirements were reduced without a corresponding reduction in contract price. According to the contracting officer's representative, the items that will not be delivered were proposed as needed for testing, and delivery was not specifically required. While this is true, it is felt that the Navy should seek a price adjustment for parts no longer required.

Recommendations: The Secretary of Defense should direct the contracting officer to consider the information presented and take appropriate action to adjust the contract targets for: (1) the cost overstatement resulting from Boeing's failure to obtain and furnish to the Government accurate, current, and complete cost of pricing data; and (2) an equitable credit resulting from the deletion of spare items that the contractor will not be required to deliver to the Navy. Also, DOD guidance should be issued on how incentive-type subcontract prices are to be included in incentive-type prime contracts.

Agency Comments/Action

The contracting officer determined that an equitable adjustment to the contract is not warranted.

Appropriations

Ship construction - Navy

Appropriations Committee Issues

The Committees should determine how incentive-type subcontract prices are to be included in incentive-type prime contracts.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

CONTRACTS

Air Force Should Recover Excess Costs of Prior F-15 Contracts and Take Action To Save Costs on Future F-15 Contracts

(PSAD-80-4, 10-24-79)

Departments of Defense and the Air Force, and Defense Contract Audit Agency

Budget Function: National Defense: Department of Defense - Procurement & Contracts (0058)
Legislative Authority: P.L. 87-653.

A review was made to determine the reasonableness of the production material costs accepted by the Air Force Aeronautical Systems Division for the production of 108 F-15 and TF-15 aircraft. The fixed-price incentive contract was awarded in 1977 to McDonnell Douglas Corporation at a negotiated target price of $789,053,670.

Findings/Conclusions: The target cost for the F-15 contract was overstated by about $2.4 million because the contractor did not use current, accurate, and complete cost or pricing data for negotiated production material cost. Also, because the contractor's profit was added to this overstatement, it will result in about $2.7 million excess cost to the Government, depending on whether the target is underrun or overrun.

Recommendations: The Secretary of Defense should take action to determine whether the Government is entitled to a price adjustment.

Agency Comments/Action

The Air Force has begun action to reduce the contract price.

Appropriations

Procurement - Air Force

Appropriations Committee Issues

The Committees should determine if contracts for F-15's are reasonably priced.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

CONTRACTS

Delays in Definitizing Letter Contracts Can Be Costly to the Government (PSAD-80-10, 11-16-79)

Departments of Defense, the Army, and the Navy, and Office of Management and Budget

Budget Function: National Defense: Department of Defense - Procurement & Contracts (0058)

A review of the use of letter contracts by the Army and the Navy was made to determine whether such contracts were being definitized in a timely manner and the impact of any untimely definitizations. Frequent delays in definitizations which exceeded the time limits set forth in Department of Defense regulations sometimes compromised the Government's negotiating position and thus increased costs. In addition, neither the Army nor the Navy exercised the unilateral determination clause which provides the authority for the contracting officer to unilaterally set the price when agreement cannot be reached in definitization negotiations. Selected letter contract data from specific Army and Navy operations were analyzed, and a detailed examination was made of procurement records for 87 of the 389 letter contracts awarded between July 1, 1973, and March 30, 1979, that had not been definitized within the time period set out in Defense regulations. Letter contracts are the least desirable method of contracting for supplies and services and can be costly to the Government, because under a letter contract the contractor has little incentive to control costs. Delays in definitization usually allow the contractor to accumulate more actual costs, which gives the advantage in the negotiations to the contractor. Thus, timely definitization is necessary to assure that the Government obtains a fair and reasonable price.

Findings/Conclusions: In many instances, the time taken to definitize letter contracts greatly exceeded that set forth in Defense regulations. In the case of many Navy letter contracts, the Navy did not reflect this situation by negotiating lower profit rates commensurate with the decrease in cost risk. In other instances, the delays caused the Government to incur costs that the Government would normally bear. Despite Navy promises to take corrective action, the situation had not improved since the Naval Audit Service began periodic reports on delays in December, 1968. GAO determined that judicious use of the unilateral determination clause could lessen the time period for definitizing letter contracts. Procurement officials indicated several reasons for their reluctance to use this clause when negotiations become stalemated. Among these were the belief that it might cause sole-source contractors to become difficult to negotiate with in the future; the infeasibility of making price determinations based on estimates or judgments in certain types of procurements; the questionable timeliness, cost, and feasibility of making and litigating such actions; and the timeliness of a decision under the contract disputes procedures. GAO viewed these arguments as conjectural, and suggested that they be tested in some actual cases to determine the long-term benefits and costs. The possible long-term benefits of demonstrating the Government's willingness to use its unilateral determination authority when contractors delay negotiations may easily justify any cost and delay involved in litigating a few cases.

Recommendations: The Secretary of Defense should establish specific guidelines for contracting officers to use in determining when to unilaterally definitize letter contracts instead of leaving this determination to the discretion of the contracting officer. The regulations should trigger such unilateral action when the contractor has incurred some specified percentage of the total estimated cost of the procurement. In addition, military departments should be required to recognize significant cost reimbursements enjoyed by contractors under letter contracts when negotiating profit.

Agency Comments/Action

DOD stated that, although it believes that flexibility and individual judgment are required in determining when to unilaterally definitize letter contracts, it will initiate a case for the Defense Acquisition Regulatory Council to consider the feasibility and appropriateness of establishing guidelines as suggested in the GAO report. DOD will also immediately request the services to place increased emphasis on the timely definitization of letter contracts and the possible use of unilateral determinations of contract price or fee to meet this end.

Appropriations

Procurement - Army, Navy

Appropriations Committee Issues

The Committees should monitor the services' progress in implementing these corrective actions.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

CONTRACTS

Agencies Should Encourage Greater Computer Use on Federal Design Projects (LCD-81-7, 10-15-80)

Departments of Defense and Energy, and Veterans Administration, United States Postal Service, Office of Management and Budget, General Services Administration, and Office of Federal Procurement Policy

Budget Function: General Government: Other General Government (0806)
Legislative Authority: P.L. 92-582.

Federal agencies are not actively seeking or encouraging the use of computers on Federal design projects. As a result, they are missing opportunities to achieve significant savings and improve the quality of Federal building designs. **Findings/Conclusions:** GAO found that Federal officials and agency procedures and practices often limit and/or hamper the use of computers on Federal projects. Agencies generally have not created an environment wherein the efficient use of computers is possible. Fee proposal forms used by most engineering services do not recognize the possible use of computers or provide a place for computer service costs to be included as direct costs in proposals. During contract negotiations, agency personnel rarely discuss the planned use of computers on a project. Even during the architect-engineer selection process, most agencies ignore computer capability. **Recommendations:** The Administrator of the Office of Federal Procurement Policy, with the concurrence of the Director of the Office of Management and Budget, should promulgate an architect-engineer procurement policy which establishes that (1) fee negotiations will be based on proposals which clearly identify tasks which will be performed by firms providing architect-engineer services and, when applicable, indicate how computers will be used on the project; (2) procedures for pricing computer services will be flexible, as long as the method used is the same as the firm uses for all its clients, both public and private, and conforms with existing Federal Procurement Regulations; and (3) a structured task-oriented fee proposal format will be developed and the use of preprinted fee proposal forms will be discontinued, permitting architect-engineer firms to submit their fee proposals in the prescribed structured format on their own stationery. The heads of departments and agencies procuring architect-engineer services should encourage employees to stay current on new and improved uses of computers in their individual areas of expertise. The heads of departments and agencies procuring architect-engineer services should encourage computer use in all areas when the quality of the design or the structure to be built can be improved when computer aids are used. The heads of departments and agencies procuring architect-engineer services should require that architect-engineer contract negotiators routinely discuss and evaluate planned use of computers when negotiating design contracts. The heads of departments and agencies procuring architect-engineer services should provide appropriate training such as courses, seminars, and newsletters, on the capabilities and uses of computers in design to their employees. Employees receiving this training should include those involved in selecting design firms, managing projects, and reviewing designs. The heads of departments and agencies procuring architect-engineer services should direct that computer use be required for those analyses and design functions which can be done more efficiently and accurately by computer-aided methods and which are critical to the end product, in terms of safety, energy consumption, and life cycle costs. The heads of departments and agencies procuring architect-engineer services should provide sufficient technical support to contract negotiating teams. This support should include personnel with sufficient knowledge about computer use and the related costs to enable teams to realistically evaluate the planned use of computer methods and negotiate a fair and reasonable fee for the services to be provided. The Administrator of the Office of Federal Procurement Policy, with the concurrence of the Director of the Office of Management and Budget, should require the Department of Defense and the General Services Administration to implement the new policy by revising the Defense Acquisition Regulations and the Federal Procurement Regulations, respectively, and jointly insuring that this policy is incorporated into the new Federal Acquisition Regulations currently being developed. The heads of departments and agencies procuring architect-engineer services should revise the criteria used in evaluating the overall qualifications of firms for design contracts to include computer capability and expertise. The heads of departments and agencies procuring architect-engineer services should require computer capabilities and expertise to be considered and evaluated when selecting architects and engineers for projects on which computer-aided design methods, such as energy analyses, can be used. The Executive Secretary, Federal Construction Council, Building Research Advisory Board, should direct the Council to take an active role in the training of the appropriate Federal personnel about the capabilities and uses of computers in design by: (1) pulling together the diverse information available on the general use of computers in design, the existing computer-aided design tools and methods, and the advances in the state of the art of computer aided design; (2) developing the information into specific educational sessions for presentation to Federal personnel; and (3) actively sponsoring these special educational sessions and other conferences.

Agency Comments/Action

The agencies generally agreed with the GA0 conclusions and recommendations. A few agencies disagree with three of the recommendations. GSA and the Postal Service oppose requiring computer use for those analyses which can be efficiently done only by computer-aided methods, GSA opposes considering computer capabilities and expertise as a selection factor, and VA and the Postal Service oppose eliminating their preprinted fee proposal forms. Construction agencies are in various stages of implementing recommendations. The Federal Construction Council is in the process of developing a comprehensive training program, following its own survey of needs which validated the GAO findings and conclusions on the need for employee education in the area of computer capability and use. OFPP has taken the initial steps to develop an architect-engineer procurement policy along the lines recommended.

Appropriations

Various appropriations used by civil agencies to procure architect-engineer services
Military construction - Army, Navy, Air Force

Appropriations Committee Issues

The Committees need to express their concern and interest in seeing greater, more efficient use of computer technology on Federal design projects in view of the significant impact which available computer-aided methods can have on initial construction costs, future life-cycle costs including energy costs, as well as the quality of Federal buildings and their efficient use and reuse. The Committees should monitor the agency actions on these matters to ensure that effective and efficient uses of computer aids by competent designers are not hampered by the procedures and practices of Federal agencies and their employees.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

CONTRACTS

Expedited Yearend Contract Award Resulted in Shortcutting Established Regulations and Procedures and Overpricing

(MASAD-81-14, 3-9-81)

Departments of Defense and the Air Force

Budget Function: National Defense: Department of Defense - Procurement & Contracts (0058)
Legislative Authority: Truth in Negotiations Act (Military Procurement). P.L. 87-653.

GAO reviewed a fixed-price contract awarded by the Air Force as part of a nationwide review of negotiated noncompetitive contracts awarded at fiscal yearend by the Department of Defense activities. The review was performed to determine: (1) whether contracting officers followed regulations in negotiating the contract price; and (2) the reasonableness of the contract price in relation to cost or pricing data available to the contractor at the time of contract negotiations.

Findings/Conclusions: To avoid a loss in obligation authority, the contracting officer took substantial shortcuts and did not comply with the procurement procedures normally required. Because of these shortcuts: (1) the contractor's price proposal was incomplete; (2) the contracting officer failed to request a required revised proposal; (3) price proposal reviews were waived; and (4) the contract was overpriced because current, accurate, and complete cost or pricing data were not disclosed.

Recommendations: The Secretary of Defense should: (1) reemphasize to contracting officers the requirement to obtain, evaluate, and use cost or pricing data in negotiating noncompetitive contract prices; (2) require the procurement office to establish controls that will preclude future procurement procedure shortcuts; and (3) have the contracting officer consider the information presented herein, along with any additional information available, to determine if the Government is entitled to a contract price adjustment.

Agency Comments/Action

The Air Force has tentatively agreed with the recommendations.

Appropriations

Procurement - Air Force

Appropriations Committee Issues

The Committees should monitor the Navy's implementation of the recommendations.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

CONTRACTS

Controls Over DOD's Management Support Service Contracts Need Strengthening (MASAD-81-19, 3-31-81)

Departments of Defense, the Army, the Navy, and the Air Force, and Office of Management and Budget

Budget Function: National Defense: Department of Defense - Procurement & Contracts (0058)
Legislative Authority: Department of Defense Appropriation Authorization Act, 1975 (P.L. 93-365). OMB Circular A-76. OMB Circular A-120. H.R. 7676 (96th Cong.). S. 2880 (96th Cong.). OMB Bull. 80-13.

The Department of Defense (DOD) spent over $2.5 billion in fiscal year 1979 on all types of management support service contracts. These services ranged from relatively simple studies to aid in management decisions to contracts involving complex engineering support services for major weapon systems.

Findings/Conclusions: In spite of the continuing attention being focused on the use of contract consultants, serious and pervasive problems continue to exist. These problems include: (1) the weakening in-house capabilities of DOD to perform its mission; (2) extensive contract awards resulting from unsolicited proposals; (3) the significant involvement of former DOD officials and employees in contracts; (4) the continuous renewal of contracts; (5) instances of questionable need for and use made of the contract services; (6) the overuse of sole-source awards; and (7) extensive contract modifications. GAO believes that an assessment of the capability of DOD to perform all essential management functions in-house under existing personnel ceiling constraints is needed to achieve effective actions for these problems.

Recommendations: Congress should, as an interim measure, consider legislation which would minimize the funding of sole-source contracts for management support services and the funding of such contracts resulting from unsolicited proposals. One way to accomplish this might be to establish quotas for a period of 2 to 4 years. For example, the Congress might provide that not more than 50 percent of the total dollars spent by an agency for management support service contracts may be used to fund sole-source contracts. This figure could be adjusted in future years until a more acceptable balance is achieved. The Director of the Office of Management and Budget (OMB) should assure that agencies identify all requested funds to be used for management support services and provide this information to Congress. Such identification would provide the basis for Congress to review agencies' use of such services as well as provide a base from which to control funds available for such services. We believe that OMB could satisfy this recommendation by extending the requirements of OMB Bulletin No. 80-13 for the types of management support services identified in this report. The Secretary of Defense should require DOD activities to establish an independent review board to assure the highest level review of proposed contract awards and modifications over $100,000 for management support services. Functions this board should perform are: (1) questioning the need for the service, (2) validating the lack of in-house capability, (3) questioning the necessity for sole-source awards, and (4) reviewing contract modifications. This independent assessment is particularly critical for those contracts to be performed by former DOD employees. The Secretary of Defense should identify functions being performed by contractors which are governmental in nature, and determine personnel needs and develop ways to meet those needs. DOD should be in a position to bring these functions in-house through better management of its workforce and additional personnel should the personnel ceilings be increased. The Secretary of Defense should identify management support services which are not governmental in nature and which are required on a continuing basis. For each service, an assessment should be made of current in-house capability, the possibility of acquiring such capability, and the relative costs involved in performing the work in-house versus contractor support. Such an analysis would be beneficial in terms of budgetary support as well as providing the basis to make informed decisions on the least costly alternative to accomplishing various DOD missions. The Director of the Office of Management and Budget should extend the management controls outlined in OMB Circular A-120 to other categories of management support services such as Management and Professional Services and Special Studies and Analyses.

Agency Comments/Action

DOD agreed with the thrust of the recommendations and has, based on agreements reached with OMB, directed a $550 million reduction in the use of consultants and management support service contracts for fiscal year 1981 through fiscal year 1986.

Appropriations

Management support service - Department of Defense

Appropriations Committee Issues

The Committees should annually review the DOD appropriation request to insure that the reductions planned in the use of consultants and management support service contracts are actually achieved.

CONTRACTS

Navy Tactical Computer Development--Limited Competition and Questionable Future Software Savings (MASAD-81-28, 5-15-81)

Departments of Defense and the Navy

Budget Function: National Defense: Department of Defense - Procurement & Contracts (0058)

GAO was requested to report on the Navy's program for development of new tactical computers. Concern was expressed as to whether the Navy obtained maximum competition and provided for the early phasein of the new Department of Defense standard computer programming language, Ada. The objectives of the review were to determine: (1) why the Navy did not get more than two manufacturers to make offers on the AN/UYK-43 and AN/UYK-44 development; (2) if and how well the Navy can implement Ada; and (3) what the Navy needs to do in the future to enhance competition and Ada effectiveness.

Findings/Conclusions: Competition for the AN/UYK-43 and AN/UYK-44 computers was limited. GAO believes that the Navy made a concerted effort to get companies to make offers on the computers the Navy specified, as evidenced by continued industry participation in various project stages. However, limited competition resulted for a number of reasons. Many U.S. computer manufacturers prefer more latitude to determine how to meet a customer's needs than the Navy allowed in its proposals. The Navy will be able to convert to Ada and plans to use Ada for new weapon systems programs and major upgrades. However, the consensus of the industry representatives is that the Navy will not be able to obtain anticipated Ada software economies because the instruction set architectures specified are not suited to Ada. The Navy defined these specified architectures to obtain further benefits from software expenditures. The current Navy computers are becoming inadequate. Increased requirements for new weapons system applications necessitate new computers to maintain a high level fleet capability. The Navy has begun to develop a concept for replacement of the computers. Their objectives are increased competition and faster technology infusion.

Recommendations: The Secretary of the Navy should employ a concept which states Navy needs with minimum technological constraint and evaluates companies' attempts to prove their ability to provide needed equipment which is viable and cost beneficial, when planning for the follow-on generation of computers to replace the AN/UYK-43 and AN/UYK-44. The Secretary of the Navy should convert to Ada on a program by program basis in present systems whenever conversion becomes cost beneficial versus maintaining the existing software base and adopting Ada for new programs and major upgrades only.

Agency Comments/Action

The Navy agreed with the GAO findings and is acting to implement the recommendations. The planning for follow-on tactical computers envisions a development which states Navy needs with minimum technological constraint. Navy planning for Ada implemenatation requires use of Ada in all new systems developments and, whenever it is cost and operationally effective to do so, in upgrades of current systems.

Appropriations

Procurement - Navy

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

CONTRACTS

NORAD's Missile Warning System: What Went Wrong?
(MASAD-81-30, 5-15-81)

Departments of Defense and the Air Force

Budget Function: National Defense: Department of Defense - Procurement & Contracts (0058)
Legislative Authority: Brooks Act (Automatic Data Processing Equipment Act) (P.L. 89-36). Paperwork Reduction Act of 1980 (P.L. 96-511).

GAO was requested to review recent missile warning system failures at the North American Air Defense Command (NORAD). The NORAD command post is in the underground Cheyenne Mountain complex in Colorado. Missile warning information gathered from the Worldwide Military Command and Control System (WWMCCS) is processed on the 427M system computers. The 427M computer system is presently in an upgrade program. GAO evaluated: (1) the extent, if any, of the relationship of computer acquisition policies, directives, or procedures implementing the legal requirements of the Brooks Act to the 427M system problems; (2) actions taken to correct missile warning system failures; and (3) what remains to be done and if that effort is hindered in any way by computer acquisition policies, directives, or procedures.

Findings/Conclusions: GAO could not document any relationship of the acquisition policies, directives, or procedures to 427M system problems. In response to recent GAO recommendations, NORAD has instituted significant changes in its acquisition management of computer resources and has planned further improvements. One further action is still needed: NORAD should be released from any requirements to use WWMCCS equipment and software, because it is not adequate to satisfy the NORAD requirements. NORAD has taken actions to correct the problems that led to recent missile warning failures. It has constructed a software development and testing facility that allows the development and testing of all software at an offsite facility to prevent errors which occurred when test data was inadvertently injected into the operational missile warning system. Also, changes in warning transmission procedures, line check message formats, and outgoing message error checking should prevent false alerts such as those which occurred in June 1980. In examining the documentation on the 427M system interim upgrades and planned follow-on replacement systems, GAO could not idenfify any potential hinderance to their acquisition from the current applicable legislation, policies, or implementing regulations. NORAD is proceeding in a logical, reasoned manner toward 427M system interim upgrades for the mid-1980's and the follow-on replacement in the late 1980's.

Recommendations: The Secretary of Defense should assist and support NORAD plans for providing stable, reliable electrical power for the Cheyenne Mountain complex computers. The Secretary of Defense should curtail further consideration of additional delegation of procurement authority for NORAD until such time that the system architectures are completed, and then only if some critical need has been validated. The Secretary of Defense should take action to exempt NORAD from Joint Chiefs of Staff directions to use standardized WWMCCS computers and allow acquisition of systems that are based on actual NORAD mission requirements. These NORAD systems should be required to maintain interface capability with WWMCCS. The Secretary of Defense should assist and support current NORAD 427M system replacement planning and creation of overall missile warning and space surveillance architectures.

Agency Comments/Action

DOD agreed with three of the four GAO recommendations and is in the process of implementing them. Concerning the GAO recommendation that DOD curtail further consideration of additional delegation of procurement authority for NORAD until such time that the system architectures are completed, DOD stated that agreement with that recommendation would unnecessarily constrain DOD acquisitions for national security. DOD sought and obtained delegation of procurement authority to proceed with replacement of the 427M system.

Appropriations

Procurement - Department of Defense, Air Force

CONTRACTS

AWACS Contract Price Overstated Because of Noncurrent, Inaccurate, and Incomplete Cost or Pricing Data (PLRD-81-29, 5-26-81)

Departments of Defense and the Air Force, and Defense Contract Audit Agency

Budget Function: National Defense: Department of Defense - Procurement & Contracts (0058)
Legislative Authority: P.L. 87-653.

A fixed-price incentive contract was awarded to a firm by the Air Force Systems Command, Electronic Systems Division. A review was made of the pricing of one modification to the contract. The objective of the review was to determine the reasonableness of the contract price in relation to cost and pricing data that were available to the contractor at the time of contract negotiations.

Findings/Conclusions: GAO found that the target price was overstated by as much as $3.4 million because cost and pricing data provided by the firm were not current, complete, or accurate. Furthermore, the Air Force price negotiation memorandum does not accurately reflect the results of negotiations for some major cost elements and is vague as to the justification for a $5.5 million pricing concession by the Air Force. Electronic Systems Division officials have agreed to take action to recover any overpricing that may have occurred and have also agreed to stress improving procurement records.

Recommendations: The Secretary of the Department of Defense should direct the: (1) contracting officers to take action to reduce the contract price; (2) contracting officers to highlight, for future review, those portions of contract price that were based on questionable data; and (3) Commander, Electronic Systems Division, to examine its contracting officers' price negotiation memorandums to ensure that they are prepared in accordance with the established regulation and guidance.

Agency Comments/Action

The Air Force has tentatively agreed with the GAO recommendations.

Appropriations

Procurement - Air Force

Appropriations Committee Issues

The Committees should monitor the Air Force's implementation of the recommendations.

CONTRACTS

Military Contractor-Operated Stores' Contracts Are Unmanageable and Vulnerable to Abuse (MASAD-81-27, 7-8-81)

Departments of Defense, the Army, the Air Force, and the Navy

Budget Function: National Defense: Department of Defense - Procurement & Contracts (0058)
Legislative Authority: OMB Circular A-76.

Contractor-operated base stores, once envisioned as a practical and cost-effective means for obtaining vehicle repair parts and civil engineering supplies, are now plagued by pricing irregularities, contract abuses, and repeated allegations of fraud. GAO reviewed such contractor-operated stores to determine how well these contracts are controlled and whether they are subject to fraud and abuse. The review concentrated on evaluating Air Force contracting and management procedures developed to implement the contractor-operated store, reviewing audit reports and closed criminal investigation reports from the Air Force, and reviewing 10 out of 120 Air Force store contracts in operation.

Findings/Conclusions: Despite past concentrated efforts, the Air Force has been unable to develop a workable store contract for purchasing the thousands of low-cost, commercial items that its bases need daily. Further, the services continue to award complex, fixed-price store contracts containing many pricing uncertainties. The burden of administering these contracts has often been slighted in favor of relying on a contractor to price and deliver goods according to the contract, resulting in some contractors taking advantage of the uncertain contracts and disorganized management. Air Force bases have paid more for automobile parts than the lowest price specified in the contract and have purchased new parts when more economical, rebuilt parts should have been stocked. They have also contracted to pay excessive fixed prices for civil engineering supplies. These unsound buying practices and abuses were traceable to defects in the contracts and breakdowns in internal controls. Since 1977, the Air Force has made 41 criminal investigations of alleged store irregularities. These cases have primarily involved the misrepresentation of goods in order to increase prices and have usually involved a relatively small dollar amount. GAO believes that the contractor-operated store, as implemented, unnecessarily exposes the Government to potential purchasing fraud and abuse because it depends too heavily on the contractor to make the buying decisions. GAO also believes that some aspects of the store contracts are uncontrollable and will continue to result in the Government paying higher prices than is necessary.

Agency Comments/Action

DOD has determined that individual cost studies in accordance with OMB Circular A-76 are necessary to judge the merit and performances of individual stores. In those cases where the cost studies indicate conversion is justified, the contractor-operated parts store (COPARS) and the contractor-operated civil engineer supply store (COCESS) operations will be converted to a Government operation. DOD believes that, by using performance work statements and random sampling measurement techniques, attempts to commit fraud can be detected early and appropriate standards of performance can be maintained.

Appropriations

Operation and maintenance - Air Force

Appropriations Committee Issues

The Committees should ask DOD to provide the results of those cost studies of individual COPARS and COCESS operations and identify any that will be scheduled for conversion to a Government operation. In those cases where conversion is not considered necessary, and COPARS and COCESS will continue, the Committees should insist that the GAO recommendations to strengthen controls over the award and administration of these contracts is adequately implemented to protect the Government's interest and guard against fraud, waste, and abuse.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

PROCUREMENT

Analysis of Department of Defense Unobligated Budget Authority (PAD-78-34, 1-13-78)

Departments of Defense, the Army, the Navy, and the Air Force, and Office of Management and Budget

Budget Function: National Defense: Department of Defense - Procurement & Contracts (0058)
Legislative Authority: Department of Defense Appropriation Act of 1978 (P.L. 95-111).

Budget authority is the authority provided by law to enter into obligations which will result in outlays of Government funds. In the Department of Defense (DOD), budget authority is used to enter into contracts with defense contractors. DOD unobligated balances of budget authority for military activities grew from $12.8 billion to $34.5 billion during fiscal years 1972-1976.

Findings/Conclusions: There was no evidence that the buildup in unobligated balances for DOD procurements represented an inability to perform functions. Excess obligational authority in DOD procurement programs could possibly be reprogrammed or used to fund future requirements. Despite the existence of excess funds, DOD has not implemented a process for systematic and regular reporting on the availability of excess funds. Over 90 percent of the $5.5 billion increase in the unobligated total was due to program growth rather than an obligation rate decline. Among the reasons for the decline in obligation rates were: delays in awarding contracts, planning and production problems, reserve funds withheld from program managers, congressional actions, better contract prices than budgeted for, staffing deficiencies, and invalid obligations. Through the 1972-1976 period, the executive branch consistently underestimated DOD unobligated balances.

Recommendations: The Secretary of Defense should make certain that improvements in internal reporting provide for the systematic identification of amounts which have become excess to program funding requirements and that new policies and procedures provide for closer monitoring of obligation projections. The Office of Management and Budget (OMB) should monitor the obligation rates reflected in DOD obligation projections with a view toward identifying possible mis-estimates, getting changes made, and developing guidelines concerning estimating procedures. Congress should: require that DOD provide historical and projected obligation rates and analyses of variances between estimated and actual rates in its budget requests, give greater attention to the significant balances of budget authority carried over from year to year, review the OMB plans to strengthen analysis of the DOD obligations estimates, and monitor the implementation of the practice of treating extensions of unobligated balances as new budget authority.

Agency Comments/Action

OMB stated that it currently is monitoring DOD obligation rates and projections through identification of programs no longer requiring the full amount of funds originally appropriated, and through review of outlays. OMB expects that its intensified review of outlays during the past year will improve the obligation projections for DOD activities. DOD stated that it uses two formal reporting and reviewing processes concerning amounts that have become excess to program funding requirements; its monthly "Report of Direct Programs by Appropriation and Subaccount," and its semi-annual "Report of Programs." The House Committee on the Budget endorsed the GAO recommendation to DOD in its report on the First Concurrent Resolution on the Budget, Fiscal Year 1979. Congress appropriated $38.8 million less than the executive request for the M-60A3 tank procurement program, fiscal year 1979, citing the production backlog and contractor difficulties as the basic reason, an issue raised in the report.

Appropriations

Procurement - Department of Defense, Army, Navy, Air Force

Appropriations Committee Issues

There is a seeming OMB and DOD lack of significant concern about mis-estimates of obligations. OMB needs to instruct DOD to develop "best" estimates rather than (as currently done) "target" estimates.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

PROCUREMENT

Budget Authority for Foreign Military Sales Is Substantially Understated
(PAD-78-72, 7-27-78)

Departments of Defense, the Army, the Navy, and the Air Force, and Office of Management and Budget

Budget Function: International Affairs: International Financial Programs (0155)
Legislative Authority: Congressional Budget Act of 1974 (P.L. 93-344; 31 U.S.C. 1302(a)). Arms Export Control Act (22 U.S.C. 2763). B-159687 (1976). B-171630 (1975). B-114828 (1977).

The Office of Management and Budget (OMB) and the Department of Defense (DOD) recently changed the method of recording budget authority within the foreign military sales (FMS) trust fund. Before fiscal year (FY) 1977, each year's FMS trust fund budget authority corresponded to the dollar total of FMS new acceptances. Under the new procedure, the budget authority for a given year is made to match the portion of acceptances (old and new) which results in FMS trust fund implementing obligations during the year.

Findings/Conclusions: The budget authority for FMS for FY 1977 was understated by $2.6 billion. The change introduced a significant element of inconsistency into FMS trust fund procedures and reporting without achieving offsetting improvements, and it is contrary to the usual meaning of budget authority. The change eliminates, from the budget totals and schedules, reporting on the maximum potential FMS obligations which the executive may incur as a result of the new authority that new acceptances create. It also eliminates standard reporting on FMS unobligated acceptances which is important for evaluating budget and program execution. The budget authority change is contrary to sound budgetary policy and dilutes appropriate congressional budgetary control.

Recommendations: The Director of OMB and congressional committees on the budget should require that the calculation of FMS trust fund budget authority be based on total, new acceptances. The Congress should adopt additional budgetary controls over the FMS trust fund activities. It should reconsider the degree of control it has delegated and enact legislation to limit total, new FMS acceptances for a FY to the amounts specified in annual authorizing and/or appropriation acts.

Agency Comments/Action

OMB stated that it continues to take the position that FMS budget authority should be based upon the obligations of the FMS trust fund rather than the new acceptances of the fund. OMB stated that this position reflects "the fact" that the U.S. Government is an "agent" in foreign military sales, thereby incurring a budgetary obligation only at the time an order is placed with a DOD performing account or a private sector supplier.

Appropriations

Foreign military sales - Department of Defense, Army, Navy, Air Force

Appropriations Committee Issues

The budget's totals for budget authority continue to misstate the true amount of authority because of OMB treatment of FMS budget authority.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

PROCUREMENT

Review of Navy's Requirements To Buy Contractor Services To Maintain, Support, and Test the C-12 Aircraft (PSAD-79-108, 10-1-79)

Departments of Defense, the Navy, the Army, and the Air Force

Budget Function: National Defense: Department of Defense - Procurement & Contracts (0058)

The Navy's practices for procuring contractor tests and evaluations, data and publications, and logistics support of the C-12 aircraft were reviewed. Although the Navy has developed detailed requirements to be followed by the contractor in providing logistics support, the other two services are obtaining such support on the basis of performance specifications.

Findings/Conclusions: The Navy's plan appears to be significantly more costly than those of the other services although no cost breakdowns were available. Under the Army and the Air Force contracts, the contractor is responsible for providing all of the maintenance and supply support needed to sustain specified monthly flying hours at an 80 percent operational readiness rate. The contractor has actually been achieving over a 90 percent readiness rate. The Navy, on the other hand, has imposed a series of detailed requirements on the contractor. Navy officials have emphasized that their added requirements were made in the interest of safety and were based on their previous experience in logistics support contracts for other aircraft. However, the experience the Army and the Air Force gained in using the aircraft for the last several years does not seem to support the Navy's argument. Therefore, the Navy may be overreacting in its maintenance requirements for the C-12 aircraft.

Recommendations: The Secretary of Defense should review the differences between services in testing, maintaining, and supporting the C-12 aircraft to determine whether the Navy is justified in placing these added costly requirements on the contractor. Any additional contract awards should be deferred until this evaluation is completed.

Agency Comments/Action

The Assistant Secretary of Defense (Manpower, Reserve Affairs and Logistics) expressed the view that a more detailed comparison of Army, Navy, and Air Force support plans for the C-12 aircraft is necessary in order to arrive at a plan which best satisfies both the common and special requirements of each service. The Secretary advised that the Joint Commanders are conducting such a study which will be reviewed and monitored to assure that adequate and economical maintenance/support programs are established. The Secretary did not agree that the Navy should defer further contract awards, but that the Navy should hold in abeyance commitments on selected areas that warrant further evaluation.

Appropriations

Operation and maintenance - Navy

Appropriations Committee Issues

The Senate Appropriations Commitee in Report No. 96-1317, dated November 19, 1980, restored the $3 million cut by the House Appropriations Committee. In Conference Report No. 96-1528, dated December 4, 1980, both Committees agreed to reduce the C-12 maintenance service program by $1 million from $5.816 million to $4.816 million in fiscal year 1981.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

PROCUREMENT

Impediments To Reducing the Costs of Weapon Systems
(PSAD-80-6, 11-8-79)

Departments of Defense, the Army, the Air Force, and the Navy, and Office of Management and Budget

Budget Function: National Defense: Department of Defense - Procurement & Contracts (0058)
Legislative Authority: OMB Circular A-109. 31 U.S.C. 712a.

Congress and the Department of Defense (DOD) have been increasingly concerned over the ever rising costs of weapon systems. The dramatic increase in costs since World War II, coupled with constrained peacetime budgets, has resulted in the production of relatively small quantities of many weapon systems and has seriously affected overall military capabilities.

Findings/Conclusions: GAO believes that the major effects on the costs have resulted from: (1) attempts to deploy systems with new technology and high performance; (2) low rates of production due to budget constraints and desires to maintain active production bases as long as possible; (3) an absence of price competition between contractors; (4) a lack of real motivation on the part of contractors to reduce costs; (5) the impact of socioeconomic programs, Government controls, and red tape; and (6) a nationwide problem of reduced research and development expenditures and lessening productivity. Some steps that have been taken by the Department of Defense in attempts to eliminate costs include: (1) revising profit policies to provide incentives for contractors to increase capital investments; (2) providing protection against contract terminations; (3) conducting design-to-cost programs; (4) providing value engineering incentives; (5) conducting a manufacturing technology improvement program; (6) increasing attention to contractors' work measurement systems; (7) performing should-cost analysis of contractors' operations; and (8) supporting contractor independent research and development. While these programs are generally worthwhile, they will not have a major impact on overall costs because of the desire for high technology systems, the budget constraints, and the military and political considerations which may preclude any radical departure from current practices.

Recommendations: The Secretary of Defense should make a comprehensive study to identify those aspects of contract administration that can be relaxed or modified in order to reduce costs and paperwork. The Secretary should also take stronger initiatives to accelerate the implementation of management policies for major weapon system acquisitions, as set forth in the Office of Management and Budget (OMB) Circular A-109. The Armed Services and Appropriations Committees should carefully examine lower cost options before approving new weapon programs. In particular, the committees should explore with senior military officials the pros and cons of larger quantities of alternative weapons versus smaller numbers of highly sophisticated and expensive systems. The Committees also should, after being satisfied that a weapon system is ready for production, consider multiyear funding in order to take advantage of more economical production practices. Congress should take the initiative in responding to the recommendations of the Commission on Government Procurement to: (1) reexamine the full range of socioeconomic programs applied to the procurement process and the administrative practices followed in their application; and (2) raise the minimum dollar thresholds at which such programs are applied to the procurement process.

Agency Comments/Action

The Comptroller General reemphasized all five of the GAO recommendations in a personal letter to the Secretary of Defense in January 1981. The Deputy Secretary subsequently introduced a new set of positive initiatives in support of all five recommendations. However, the results of these initiatives will not be known for some time.

Appropriations

Procurement - Army, Navy, Air Force

Appropriations Committee Issues

The Committees should require that the military demonstrate to the Committees' full satisfaction that adequate consideration has been given to less costly, higher force level, alternative weapon system concepts before authorizing new ultrasophisticated, low quantity systems. The Committees should consider the potential cost benefits to the Government through greater use of multiyear funding for weapon systems ready for production, and the need for congressional reexamination of the impact of the growing range of socio-economic programs applied through the procurement process.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

PROCUREMENT

Should Small Purchases Be Exempt From Complying With Social and Economic Program Requirements? (PSAD-80-77, 9-26-80)

Office of Federal Procurement Policy, General Services Administration, and Departments of Defense and Labor

Budget Function: Procurement--Other Than Defense (1007)
Legislative Authority: Buy American Act. Davis-Bacon Act (Wage Rates). Miller Act (Public Building Contracts). Service Contract Act of 1965. Rehabilitation Act of 1973 (P.L. 93-112). Executive Order 11246. P.L. 93-356. P.L. 95-507. P.L. 95-585. S. Rept. 93-318.

A GAO study involved an evaluation of an Office of Federal Procurement Policy (OFPP) recommendation which advocated raising to $10,000 the minimum level at which social and economic programs are applied to the procurement process. Inflation has depreciated dollar threshold levels to insignificance. As a result, fewer and fewer purchases are exempt from social and economic provisions, and the relative costs and paperwork requirements of small contracts are pushed higher with the increasing number of provisions to administer. Therefore, the full benefit and cost savings potential of small purchase procedures have not been realized.

Findings/Conclusions: The agency procurement officials interviewed felt that: the small dollar value Government contracts should be exempt from social and economic requirements, the small purchase threshold should be selected as the minimum threshold for application of these requirements, and would favor a raise in the small purchase threshold and an escalator clause to keep the thresholds current. They would endorse any effort to make simplified small purchase procedures truly simplified. GAO agreed. Higher and more uniform threshold levels would help streamline administration, and the attention now devoted to lower dollar value contracts could be used to provide better enforcement on contracts above the small purchase threshold. A raise in the Davis-Bacon threshold to $10,000 would still mean protection for the same group of workers to whom Congress originally afforded protection; that is, workers on other than small, relatively insignificant contracts. Programs such as Davis-Bacon impose administrative requirements that are particularly onerous and disproportionately great for contracts under $10,000. GAO does not feel that the very large number of small contracts should be encumbered by procedures and provisions designed to afford protection for workers on large dollar value contracts.

Recommendations: The Office of Federal Procurement Policy should submit legislation to Congress to establish the small purchase threshold, currently $10,000, as the minimum threshold for all, not just selected, social and economic programs applied to the procurement process. The legislation should be submitted independent of the proposal for the Uniform Procurement System. The legislation should include provisions to raise the small purchase threshold to a level consistent with the inflationary trend that has occurred since it was established at $10,000 in 1974. An escalator clause should be included to permit administrative adjustments to prevent the time lag that now occurs between reductions in the value of money and legislative adjustments in thresholds affecting contracts. The legislation should include a procedure for monitoring future legislation to assure that no conflicts exist with the small purchase threshold.

Appropriations

Implementation of Commission on Government Procurement recommendations - Office of Management and Budget, Office of Federal Procurement Policy

Appropriations Committee Issues

Without implementation of the Commission on Government Procurement recommendation 44, the full benefit and cost savings potential of small purchase procedures have not been realized.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

PROCUREMENT

Deficiencies in the St. Louis Defense Telephone Service Should Be Avoided in Future Consolidations (LCD-81-4, 10-27-80)

Departments of Defense and the Army, and General Services Administration

Budget Function: General Science, Space, and Technology: Telecommunications and Radio Frequency Spectrum Use (0258)

The Department of Defense (DOD) has established a long-range program, the Defense Metropolitan Area Telephone System, to develop consolidated local area telephone systems for its activities. Discussions between DOD and the General Services Administration (GSA) are underway to create Government-wide consolidated local-area systems. DOD experience with consolidated systems is limited to the Defense telephone service in Washington, D.C., and in St. Louis, Missouri. The Washington system, which is unique in size and complexity, serves military users almost exclusively. The St. Louis system, modernized in April 1979, uses modern technology and serves both DOD and a growing number of Government civil agency subscribers. Thus, the St. Louis system is a more appropriate model for many proposed DOD consolidated systems.

Findings/Conclusions: DOD officials, responsible for developing the Defense Metropolitan Area Telephone Service program, and Army officials, currently procuring facilities for the initial DOD consolidated system at Boston, were generally unaware of the details of the operational defects, design flaws, and management problems experienced with the St. Louis system. Modernization of the St. Louis system included installation of special devices to automatically route outgoing calls via the least costly circuit available and to simultaneously create a call detail record for use in billing subscribers for services used. Anticipated reductions in commercial toll costs and improved system management associated with these special devices were not realized at St. Louis. The Director of the St. Louis system derives authority from the Army to operate the system, and concurrently holds a staff position on two local Army commands. The uncertainty of his authority to deal with non-Army subscribers and local superiors generally reduced the Director's role to that of a financial manager acting as an intermediary between subscribers and the local telephone company. The Director also failed to control abuse and misuse of system resources or perform many functions normally associated with good telephone system management. The Defense Metropolitan Area Telephone System presents an excellent opportunity for DOD to eliminate inefficient independent military telephone systems in metropolitan areas.

Recommendations: The Secretary of the Army should devote the necessary resources to correct the design, operating, and management deficiencies of DTS-STL. The Secretary of the Army should provide the DTS-STL Director with an operating charter, either under DMATS or independently, which is consistent with the system's technology and the community of interest being serviced by the system. The Secretary of Defense should clarify and strengthen the role of the DMATS Director to make the position independent of local military command control to preclude conflict of interest, define the DMATS Director's responsibilities and authority over other military department and civil subscribers to the system, structure the position and supporting staff resources consistent with potential Government-wide metropolitan area consolidation. The Director of OMB should develop a policy for consolidation of local telephone service that assigns organizational responsibilities and contains implementing guidelines, procedures, and/or standards.

Agency Comments/Action

The Department of the Army is correcting the deficiencies in the St. Louis Defense Telephone System that existed in its procurement.

Appropriations

Operation and maintenance - Department of Defense

Appropriations Committee Issues

Strengthening the roles of DOD management, including the charters of local directors, could minimize the deficiencies in the procurements of consolidated Defense local telephone systems thus providing the necessary services at the lowest cost to the Government.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

PROCUREMENT

Future Procurements of Army's Copperhead Projectile Should Be Contingent on Improvements in Performance and Reliability

(C-PSAD-81-4, 11-13-80)

Unclassified digest of a classified report.

Departments of Defense and the Air Force

Budget Function: National Defense: Department of Defense - Procurement & Contracts (0058)

Copperhead, a laser-guided, antiarmor projectile entered limited production this year. The Army plans to procure over 44,000 rounds by 1986 at an estimated average cost of over $22,000 per round. GAO reviewed Copperhead's: (1) visibility; (2) response time; (3) development improvements; and (4) reliability.

Findings/Conclusions: In a European combat environment, good visibility conditions would more often than not be unattainable. Adverse weather, obstructed terrain features, and certain other obstructions can be expected to restrict opportunities for launching Copperhead. Tests up to this point provide little insight into the effectiveness to be anticipated from Copperhead against moving targets. Two developments may help raise Copperhead's performance to more acceptable levels. A modified seeker, expected to significantly improve Copperhead's performance in smoke, was tested in February 1980 with good results. In addition, digital equipment under development, designed to provide more rapid data transmission and target data computations, is expected to reduce Copperhead's response time. Copperhead's reliability in both operational and development tests was so low that the Secretary of Defense directed initial procurement to be limited to a rate of 200 per month.

Recommendations: The Secretary of Defense should reassess the need for procuring the total Copperhead quantity currently programed if such responsiveness and reliability are not demonstrated. The Secretary of Defense should continue limited production of Copperhead until it has demonstrated an ability to achieve a response time that would improve its performance against moving targets and has attained the required level of reliability.

Agency Comments/Action

On March 16, 1981, DOD informed GAO that it agreed with the recommendation to limit the production rate of Copperhead until improved reliability had been demonstrated. However, DOD disagreed that an improvement in response time for delivering the guided projectiles against moving targets should be a factor in limiting production rates. Instead, the DOD view was that response times would affect the total quantities to be procured.

Appropriations

Procurement - Army

Appropriations Committee Issues

The Committees should determine if DOD has demonstrated improved response times in employing Copperhead against moving targets and, if not, ensure that procurement quantities beyond that originally programmed will not be funded.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

PROCUREMENT

DOD Loses Many Competitive Procurement Opportunities (PLRD-81-45, 7-29-81)

Department of Defense and Defense Nuclear Agency

Budget Function: National Defense: Department of Defense - Procurement & Contracts (0058)
Legislative Authority: Armed Services Procurement Act of 1947. D.A.R. 4-910(a).

Both Congress and the Department of Defense (DOD) are concerned about the continuing trend toward noncompetitive DOD procurements. GAO studied opportunities for introducing competition in DOD procurements by analyzing a random sample of goods and services purchased by DOD agencies for the first time in fiscal year 1979 and studied the decision process which led to noncompetitive buying.

Findings/Conclusions: GAO concluded that 25 of the 109 contracts in its sample had been inappropriately awarded noncompetitively. About $289 million of the noncompetitive procurements could have been competitive. Because of a lack of adequate statistical information, GAO could not determine how much could have been saved through additional competition. However, studies have shown that as much as 25 percent could be saved through increased competition. The primary reasons for the fiscal years' 1972 to 1978 decline in price competitive spending as a percentage of the DOD procurement budget were: (1) increased spending on and a concurrent loss of competition for petroleum and nuclear submarines; (2) increased use of design and technical competition for major weapon systems; and (3) greater emphasis on set-asides for businesses owned and controlled by socially or economically disadvantaged persons. Contracting officers failed to follow sound contracting procedures to ensure that only one company could satisfy the procurement requirements. Major processing deficiencies included improper use of the public exigency exception, inadequate performance of market research, insufficient development of a data package, and specifications which did not represent the Government's minimum needs. GAO also found that the Defense Nuclear Agency's use of early starts and unsolicited proposals inhibited competition. DOD recently required the services to develop plans to improve their competitive performances. These plans, however, do not specifically address the contracting problems identified in this report.

Recommendations: The Secretary of Defense should give more emphasis to increasing competitive procurements by: (1) providing to contracting officers and program personnel more specific guidance on the factual support needed to justify noncompetitive procurement; (2) requiring that the services address the specific contracting problems identified in this report in their plans for improving competition and establish percentage improvement goals; and (3) establishing a systematic approach for monitoring procurement office goals and reviewing selected contracts and documentation to assure they were appropriately awarded. The Secretary of Defense should require the Defense Nuclear Agency to take steps to reduce its use of early starts and unsolicited proposals as a way of contracting.

Agency Comments/Action

DOD agreed with the thrust of the GAO recommendations concerning the need to justify noncompetitive procurements and the need for the Defense Nuclear Agency to strengthen its contracting procedures. However, DOD did not believe that contracting officers and program personnel required more specific guidance on the factual support needed to justify noncompetitive procurements. DOD also disagreed with the GAO recommendations which relate to establishing and monitoring percentage goals for improving competition. However, a recent Office of the Secretary of Defense initiative relating to increasing competitive procurements may result in DOD adopting all or part of the GAO recommendations.

Appropriations

Procurement - Department of Defense, Army, Navy, Air Force, Defense Logistics Agency, Defense Nuclear Agency, National Security Agency

Appropriations Committee Issues

DOD can increase competitive procurements of goods and services thereby saving the Government money.

PROCUREMENT

Navy Can Reduce the Cost of Ship Construction if It Enforces Provisions of the Contract Escalation Clause (PLRD-81-57, 8-2431)

Departments of Defense and the Navy

Budget Function: National Defense: Department of Defense - Procurement & Contracts (0058)

A review was conducted of the procedures and practices that Navy shipbuilding contractors use to compute material escalation costs on fixed-price incentive contracts which contain the cost index material escalation clause. The objective of the review was to determine if Navy contractors were computing escalation costs as specified in the contract clause.

Findings/Conclusions: Four of the five contractors reviewed were not correctly interpreting and applying the cost index clause. The contractors were overstating the escalation costs by delaying the computation of escalation. As a result, cost indexes for subsequent periods were being applied to costs incurred and invoiced during earlier periods. Contractors would thus receive an estimated $2.4 million in excess payments for escalation costs.

Recommendations: The Secretary of Defense should direct the Secretary of the Navy to: (1) recover material escalation overpayments caused by the contractors' failures to compute escalation costs based on invoice receipt dates; and (2) revise the cost index material escalation clause to include full amounts of all billings received from subcontractors, including retention on any progress payments made, regardless of whether such retention is shown on the bill.

Agency Comments/Action

The agency has not commented.

Appropriations

Procurement - Navy

Appropriations Committee Issues

The Committees should monitor the Navy's implementation of recommended corrective actions.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

PROCUREMENT

Inquiry Concerning Denial of Contracts to Low Offeror for Army Translation Services

(PLRD-81-66, 9-18-81)

Departments of Defense and the Army

Budget Function: National Defense: Department of Defense - Procurement & Contracts (0058)

Pursuant to a congressional request, GAO was asked to investigate allegations as to whether a constituent's low bids for translation work were regularly passed over; whether the constituent was denied contracts without explanation; and whether there was any evidence of fraud, conflict of interest, deception, or improper circumvention of Army procurement regulations.

Findings/Conclusions: GAO found that procurement regulations relative to obtaining competition were not followed in awarding purchasing orders for the services in question. Orders were issued on the basis of rates quoted in basic ordering agreements but not necessarily to the contractor offering the lowest rate. The constituent was not solicited or considered for award even though the rate listed in his basic ordering agreement was the lowest of all the rates included in the contractors' basic ordering agreements. GAO found no evidence that the contracting agency had provided the constituent with an explanation for this action. GAO also found no evidence of fraud, conflict of interest, or deception.

Recommendations: The Secretary of Defense should ensure that the Defense Supply Service follows established procurement regulations in awarding orders for translation services and develops a set of standard operating procedures that will state clearly and concisely the managerial responsibilities and duties of contracting officers and technical representatives in contracting for translation services.

Agency Comments/Action

The Secretary of Defense had not responded as of the date this report was prepared.

Appropriations

Operation and maintenance - Department of Defense, Army

Appropriations Committee Issues

The Committees should ensure that Defense and the Army follow established procurement regulations in awarding orders for translation services and develop a set of standard operating procedures to be used by technical representatives in contracting for translation services.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

PROCUREMENT

Review of Government-Wide Contracting Systems for Film and Videotape Productions (PLRD-81-61, 9-21-81)

Departments of Defense, Energy, and State, and Office of Management and Budget, National Aeronautics and Space Administration, General Services Administration, Agency for International Development, and Office of Federal Procurement Policy

Budget Function: Procurement--Other Than Defense (1007)
Legislative Authority: OMB Bull. 81-16.

GAO reviewed the utilization and operation of the uniform, Government-wide contracting systems for film and videotape productions.

Findings/Conclusions: GAO found that the reports required to be submitted by agencies to the National Audiovisual Center are sometimes inaccurate, incomplete, and untimely and that the utilization of the contracting systems by Federal agencies could be improved. Complete and reliable data are still lacking on the number and value of film and videotape productions being contracted for Government-wide. While agencies are required to annually submit these data to the National Audiovisual Center, officials of the Center have had problems getting agencies to submit timely and accurate reports. Audiovisual program managers at the agencies GAO visited do not verify data that they receive from their regional or field offices before summarizing and forwarding the data to the Center. Without some type of verification, the data are of questionable accuracy and therefore unreliable. Correcting the data accuracy problem is an important first step in correcting the apparent underutilization of the uniform, Government-wide contracting systems for motion picture and videotape productions. The DOD Directorate for Audiovisual Management Policy managers do not compare the number and value of contract awards made through the contracting systems with the total number and value of all Federal film and videotape contracting. Without making these comparisons, managers cannot identify agencies that consistently underutilize the contracting systems and cannot evaluate the reasons for underutilization.

Recommendations: The Director of the Office of Management and Budget (OMB) should direct Directorate managers to compare the number and value of contract awards made through the uniform, Government-wide contracting systems with the total number and value of all Federal film and videotape contracting and to take corrective action where appropriate. The Director of OMB should request agencies to increase their efforts to provide accurate and complete data and urge them to verify their reports to insure completeness and accuracy.

Agency Comments/Action

GAO obtained unofficial oral comments from OMB, the Office of Federal Procurement Policy, the DOD Directorate for Audiovisual Management Policy, and the National Audiovisual Center. They were all in general agreement with the GAO findings and conclusions. No action has yet been taken by OMB as a result of the GAO recommendations.

Appropriations

Audiovisual production and contracting - All Federal agencies
Procurement - All Federal agencies
Operation and maintenance - All Federal agencies

WEAPON SYSTEMS

INDIVIDUAL SYSTEM STUDIES

The MX Weapon System--A Program With Cost and Schedule Uncertainties (PSAD-80-29, 2-29-80)

Departments of Defense, the Air Force, and the Interior, and National Security Council

Budget Function: National Defense: Weapons Systems (0057)
Legislative Authority: Antiquities Act (P.L. 59-209). Endangered Species Act of 1973 (P.L. 92-305). Engel-Ellis Act (Engineering and Land Surveying) (P.L. 85-337). Federal Land Policy and Management Act of 1976 (P.L. 94-579). Historic Sites Act (P.L. 74-292). Mining Resources Act. National Environmental Policy Act of 1969 (P.L. 91-190). National Historic Preservation Act (P.L. 89-665). Wilderness Act.

The MX weapon system is a new intercontinental ballistic missile system. It was established to provide increased survivability as well as higher damage expectancy. According to the President, development of the MX weapon system will enable the United States to continue with a strategic deterrent force comprised of modernized survivable intercontinental ballistic missiles, submarine-launched ballistic missiles, and heavy bombers. The Ballistic Missile Office was assigned responsibility for managing the MX program. Initial deployment of the system is planned for July 1986, with full deployment to be accomplished by 1989. The Air Force estimates that the MX weapon system will cost about $33 billion. Inflationary estimates will increase this estimated cost to at least $56 billion.

Findings/Conclusions: With the MX weapon system entering full-scale development, uncertainties exist about the approval of the method of survivable basing selected by the President; the obtainment of the land necessary for deployment; the availability of large amounts of electricity, water, and building materials for construction and operations; and the survivability of the proposed MX system if there is no strategic arms control agreement. Further uncertainties which exist are: (1) the location of the missiles for survivability because of the many signatures that need to be masked and the unknown future threat; (2) the size of the missile force, the required number of warheads, and the design of the weapon system, which make it questionable whether the Air Force can meet its cost, schedule, and performance goals; and (3) the shortage of needed personnel to effectively manage the MX program during the first year of full-scale development.

Recommendations: The Secretary of Defense should: (1) identify the potential increases or decreases in program cost due to the many uncertainties which still have to be resolved; (2) assure that the high cost of the MX system is adequately analyzed in the context of the overall DOD budget to determine if it is affordable and whether any other major weapon system programs would have to be terminated or delayed; (3) expedite efforts to establish a memorandum of agreement with the Secretary of the Interior setting forth a time-phased action plan which will allow public land to be withdrawn for the MX weapon system; and (4) identify the changes to the MX weapon system that may be required without arms control agreements.

Agency Comments/Action

The agency has not responded. GAO has had frequent contacts but has not been successful in getting the response. GAO is currently doing a followup review.

Appropriations

Military construction - Air Force
Procurement - Air Force
Operation and maintenance - Air Force

Appropriations Committee Issues

Although there are no specific issues, the Appropriations Committees should stay abreast of the DOD management of the program.

INDIVIDUAL SYSTEM STUDIES

"SAR's"--Defense Department Reports That Should Provide More Information to the Congress (PSAD-80-37, 5-9-80)

Departments of Defense, the Army, the Navy, and the Air Force

Budget Function: National Defense: Weapons Systems (0057)
Legislative Authority: P.L. 94-106. DOD Instruction 7000.3. H.R. 656 (96th Cong.). S. Rept. 93-1104. 10 U.S.C. 139.

Selected acquisition reports (SAR's) have become the key recurring summary reports on the progress of the Department of Defense's (DOD) most costly acquisition programs. SAR's are usually prepared for about 50 major weapon systems and are used by both Congress and top-level DOD managers in making decisions affecting those systems. However, important information which would be useful to management and which is called for by DOD Instructions is not being reported. GAO has continually worked with DOD and with congressional committees to improve SAR's.

Findings/Conclusions: GAO believes that SAR's should provide a full and objective disclosure of the status of major systems. DOD must make the SAR's short enough to be usable by people who have little time to review them, and yet the SAR's should present data that is complete, accurate, and not misleading. Although DOD may not want to include some of the information being recommended for inclusion because it detracts from an optimistic presentation of system capabilities, it is the kind of data that Congress needs to have in reviewing and funding programs.

Recommendations: The Secretary of Defense should revise the SAR instruction, where necessary, and enforce the instruction so that SAR's include: (1) a mission capability assessment statement, including expected shortcomings and limitations of the system in its operational environment; (2) the status of key subsystems and related systems, including related systems on separate SAR's; (3) planning estimates with a one-time explanation for changes to arrive at the development estimates; (4) ranges of costs for the planning and development cost estimates rather than specific point estimates; (5) more complete explanations for changes to development estimates and, in subsequent SAR's, a reference to the original development estimates; (6) a section on operational and technical risks; (7) logistic support/additional procurement costs and explanations for changes; (8) a chart showing the impact on the program acquisition cost estimate of using different escalation rates; and (9) a certification of the credibility of SAR's by the Secretary of Defense. In addition, the Secretary of Defense should direct that a periodic review be made of the accuracy and completeness of SAR's and that greater consideration be given to (1) adding important systems in advanced development to the reporting system, and (2) deleting older systems from the reporting.

Agency Comments/Action

The DOD response to the GAO report stated that Defense officials are most anxious to provide the information that Congress requires to meet its responsibilities, and that Defense officials concur in some of the observations and will take necessary corrective action. The response stated that (1) SAR's should be periodically reviewed, (2) a review of SAR's for 30 programs will be completed in 1980, (3) SAR preparation and review workshops are planned, (4) SAR's will be reviewed for compliance with instructions regarding the status of key subsystems and related systems, and (5) reporting deficiencies noted for numerous weapon systems will be corrected. However, DOD chose not to accept numerous observations and recommendations which would cause more significant changes in the nature and content of the reports. These recommendations included (1) expansion of the required mission capability statement to better describe expected operational performance capabilities and limitations, (2) SAR reporting on systems in advanced development, (3) reporting of operational and technical tasks, (4) inclusion of logistics support/additional procurement costs, (5) showing the program acquisition cost estimate resulting from different escalation rates, (6) reporting the planning estimate, (7) using a range for planning and development cost estimates, and (8) certifying to the credibility of the SAR's.

Appropriations

Research and development - Army, Navy, Air Force
Procurement - Army, Navy, Air Force

Appropriations Committee Issues

The Appropriations Committees should review the recommendations and the DOD response to determine whether data called for by the rejected recommendations would be useful and, if so, consider whether DOD should be required to provide such data.

WEAPON SYSTEMS

INDIVIDUAL SYSTEM STUDIES

Implications of Highly Sophisticated Weapon Systems on Military Capabilities (PSAD-80-61, 6-30-80)

Department of Defense

Budget Function: National Defense: Weapons Systems (0057)

Many of the weapons systems developed by the United States today are viewed as being too technologically complex to permit a reasonable degree of confidence that they will work properly when needed. Consequently, the Nation's ability to be sufficiently prepared to sustain itself in a major war is of serious concern. Several problems that have resulted from the Department of Defense's (DOD) acquisitions during the 1970's include: (1) few weapons are available due to high unit cost; (2) weapons have reliability, availability, and maintainability problems; (3) small annual procurement quantities are uneconomical; (4) high operating costs tax training resources; and (5) complexity and sophistication aggravate personnel problems. While DOD has tried to reverse this trend, it has not been as successful as desired. The operation and maintenance budget, portions of which are used to support deployed weapon systems, has increased substantially over the past few years; and it is expected to further increase in fiscal year 1981. However, the operations and maintenance budget supports so many activities that it is difficult to determine whether or not the projected increases will be sufficient to significantly improve readiness. The causes of any deficiencies in operations and maintenance funding is not totally clear. However, it seems that the services have chosen to develop a variety of high performance systems in lieu of seriously addressing the problems found in today's deployed systems.

Findings/Conclusions: High performance systems are costly. Those responsible for developing and acquiring new weapon systems must be just as concerned with the capability of the equipment when it is deployed as they were with the acquisition. Although some yet-to-be deployed systems designed in the mid-1970's are likely to exhibit many of the same problems occurring in the high performance weapons deployed today, recently developed systems should benefit from emphasis on reliability, availability, and maintainability, therefore presenting a brighter future. However, a reappraisal of some may be in order. As shown by recent directives, more attention should be paid in the early design of weapons to the best mix of high performance and support characteristics, considering expected force resources and operations. The DOD emphasis on lower cost weapon systems and greater reliability, although well placed, does not appear to have been sufficient. While established inventory objectives for new weapons are high, rapidly rising costs make it unlikely that they can be achieved without major increases in or realignment of the Defense budget.

Recommendations: Congress should carefully examine lower cost alternative programs before approving new weapon systems. In particular, the committees should explore with senior military officials the pros and cons of larger quantities of alternative weapons versus smaller numbers of highly sophisticated and expensive systems.

Appropriations

Procurement - Department of Defense

Appropriations Committee Issues

The Committees should explore with DOD officials the advantages of acquiring larger quantities of alternative systems versus smaller quantities of highly sophisticated and expensive systems.

WEAPON SYSTEMS

INDIVIDUAL SYSTEM STUDIES

DOD Should Resolve Certain Issues Concerning the C-X Aircraft (PSAD-81-8, 10-10-80)

Departments of Defense, the Air Force, the Army, and the Navy, and U.S. Marine Corps

Budget Function: National Defense: Weapons Systems (0057)
Legislative Authority: OMB Circular A-109.

The Air Force formed a taskforce with Army and Marine Corps participation to define future airlift requirements for the worldwide deployment of U.S. forces. The taskforce analysis revealed significant shortfalls in the capability of the United States to provide long-range intertheater airlift to meet worldwide rapid mobility requirements. It recognized that the United States does not currently have the capability to airlift large outsize cargo within a theater. It recommended the acquisition of an airlift aircraft with adequate size and range to carry outsize cargo intertheater and also with the capability to land at small austere airfields. To meet these requirements, the Air Force proposed the C-X aircraft. Full-scale production of the C-X could begin about October 1986. The Air Force estimates that a procurement of 200 C-X aircraft could cost about $10 billion to $11 billion (fiscal year 1980 dollars) for development and production. The Air Force is planning to issue requests for proposals to potential contractors for the full-scale engineering development of the aircraft in October 1980. GAO reviewed the C-X aircraft program, addressing major issues concerning the aircraft's range and its load capability.

Findings/Conclusions: The Department of Defense (DOD) has not yet completed its strategic mobility requirements study as directed by Congress, nor has a mission element need statement been approved. Nevertheless, the Air Force plans to solicit formal design and cost proposals from potential contractors in the immediate future for the full-scale engineering development of the C-X aircraft. GAO believes that such action, before these matters are resolved, is both premature and contrary to sound acquisition principles. The current design range of the C-X may be inadequate unless substantial refueling is provided at intermediate land bases or by aerial refueling. Proposed modifications to the Army's main battle tank could increase its total combat weight beyond the maximum load capacity of the C-X. Although congressional committees believe there is a need for additional stategic aircraft capability, it is uncertain as to whether the C-X concept proposed by the Air Force is the best way to provide this capability. The DOD strategic mobility requirements study may require the Air Force to revise and reissue requests for proposals and solicit new proposals from contractors. This effort could cost the contractors several million dollars which would be shared in part by the U.S. Government through the allocation of overhead to Government contracts.

Recommendations: The Secretary of Defense should direct the Secretary of the Air Force to delay issuing C-X requests for proposals or proceeding further with the C-X program until the Air Force resolves the aircraft's range and load limitations and until the mobility requirements study is completed and a mission element need statement is approved.

Agency Comments/Action

The DOD response to the GAO report stated that the minimum cargo and load carrying capabilities of the C-X are adequate to meet the intertheater airlift requirements. As a result, the Air Force requested proposals from industry for C-X full-scale development.

Appropriations

Research and development - Air Force
Procurement - Air Force

Appropriations Committee Issues

The C-X issues have not been fully resolved even though a contractor selection has been made. The Committees should determine whether the range and payload requirements as shown in any contract for a C-X are adequate and can be met.

WEAPON SYSTEMS

INDIVIDUAL SYSTEM STUDIES

Problems Affecting the Procurement and Operation of the Army's AH-64 Attack Helicopter and Associated Systems

(C-MASAD-81-1, 2-12-81)

Unclassified digest of a classified report.

Departments of Defense and the Army

Budget Function: National Defense: Weapons Systems (0057)

The Army's newest attack helicopter, the AH-64, will carry the new laser-guided Hellfire missile. A production decision for each is due late in calendar year 1981. In addition to these new acquisitions, the Army has plans to continue upgrading its current fleet of attack helicopters. It also plans to improve a different helicopter to support the attack helicopters in a scouting role.

Findings/Conclusions: Due to the steadily increasing cost of weapon systems and to budget constraints, the Army has determined that it cannot afford to buy or improve the full quantity of weapons it feels it needs to modernize its forces within the desired timeframes. Consequently, it is stretching out the procurement schedule of some weapons, an action which results in increased costs and is deferring others. The procurement for the AH-64 and the Hellfire is being stretched out. Some technical problems disclosed in development and testing of the AH-64 and Hellfire pose additional problems. These problems can degrade the helicopter's performance to a considerable degree unless they are corrected. Excessive weight is preventing the AH-64 from achieving its required vertical rate-of-climb requirement. Its target acquisition and designation sight is not meeting all of its requirements. The excessive vibration the helicopter is experiencing can cause pilot fatigue and can affect operating proficiency. Hellfire is experiencing an undesirable roll rate problem after it is launched from the AH-64 that makes it difficult to control the missile to the extent desired. GAO believes that an affirmative decision to proceed with the production of the AH-64 and Hellfire should await the successful resolution of the system's major technical problems and an assessment of its operational effectiveness. In addition, there are alternatives to stretching out the helicopter and missile procurement programs which might achieve the aerial antiarmor mission objectives more economically.

Recommendations: Congress should place restrictions on the obligation of fiscal year 1982 procurement funds for the AH-64 and lasar Hellfire until the Secretary of Defense has assured the House and Senate Armed Services and Appropriations Committees that the system's critical technical problems have been corrected. The Secretary of Defense should, in view of its apparent incompatibility with the AH-64, determine whether there are other potential uses for the scout helicopter important enough to warrant requesting procurement funds from Congress for an improvement program. The Secretary of Defense should provide the House and Senate Armed Services and Appropriations Committees, during fiscal year 1982 budget hearings, with an assessment of other program alternatives to include: (1) an identification of lower priority programs that could be terminated or deferred to fully fund and restore the AH-64 and laser Hellfire to their original procurement schedules if development and operational problems are satisfactorily resolved; (2) the merits of purchasing fewer AH-64's and fully upgrading the full fleet of Cobras; and (3) trade-offs within the procurement budget that would permit improving the scout helicopter, if it is needed. The Secretary of Defense should ensure that the AH-64, with the laser Hellfire system on board, is adequately tested and evaluated under operational conditions representative of a high-threat European environment before approving full production.

Agency Comments/Action

On May 1, 1981, DOD informed GAO that it shared GAO concerns about the readiness of the AH-64 helicopter and Hellfire missile to enter production as scheduled during FY 1982. In demonstrating this concern, DOD has made adequate operational testing a major issue on the agenda of the Defense System Acquisition Review Council when it considers the production question. DOD also has not approved the Army's need statement for a scout helicopter and has requested a more complete analysis of the need.

Appropriations

Research, development, test, and evaluation - Army
Procurement - Army

Appropriations Committee Issues

The Committees should ensure that the AH-64 helicopter and Hellfire missile operational test results and evaluations clearly demonstrate that the systems are ready for production before appropriating additional procurement funds. The Committees should also determine that DOD has satisfactorily justified a scout helicopter program before appropriating any procurement funds.

WEAPON SYSTEMS

INDIVIDUAL SYSTEM STUDIES

The MX Weapon System: Issues and Challenges (MASAD-81-1, 2-17-81)

Departments of Defense and the Air Force

Budget Function: National Defense: Weapons Systems (0057)

Progress has been made during the first year of full-scale development of the MX weapon system, particularly in missile development. However, the Department of Defense (DOD) is faced with a tremendous management challenge in achieving cost, schedule, and performance goals.

Findings/Conclusions: Although DOD has approved new requirements estimated to cost $700 million, there has been no change in the life-cycle cost estimate. MX is designed to provide a certain number of surviving reentry vehicles assuming a threat constrained by the unratified Strategic Arms Limitation treaty. Without a treaty, the Soviets could build enough weapons to neutralize MX. MX could then be expanded to counter that threat, at considerable cost, by adding missiles, shelters, and/or a ballistic missile defense. Congress should be aware that it is not possible at this time to predict the ultimate size of the deployment area, the number of missiles and shelters, or the cost of MX. The primary method of Strategic Arms Limitation treaty verification should prevent undetected deployment of additional missiles. Some of the extra verification features in the MX design, especially the view ports, appear unnecessary. The Air Force assessed existing military bases and concluded that neither land nor facilities were available for an MX operating base. However, excess land at Nellis Air Force Base was not included in the assessment. In addition, consideration was not given to placing part of the facilities on existing bases. The Air Force is considering options that would enhance its ability to take actions that may be necessary to protect location uncertainty. Some of these options could be construed as restrictions on public access or activities, but no final decisions have been made.

Recommendations: The Secretary of Defense should have an independent assessment made and inform Congress of the feasibility of placing one of the operating bases on excess Federal land at Nellis Air Force Base. If it is not feasible to locate an entire MX operating base at Nellis, the potential for siting some MX facilities at existing military bases should be examined. The Secretary of Defense should inform Congress how the Air Force will enforce measures to assure the preservation of location uncertainty, including an identification of any new laws or changes to existing laws that may be required. The Secretary of Defense should restudy the need for MX verification features. The results of this study should be given to Congress along with information previously requested on the cost of view ports.

Agency Comments/Action

The DOD response to the GAO report stated that the MX verification features are being restudied. DOD also stated that its choices for locating MX bases remain valid. Further, DOD later stated that it has informed the Military Construction Subcommittee of the House Appropriation Committee of the measures planned to assure preservation of location uncertainty.

Appropriations

Research and development - Air Force
Procurement - Air Force

Appropriations Committee Issues

Major decisions remain to be made on the MX. The issues to be resolved include basing, quantities, and the specific warhead to be used.

WEAPON SYSTEMS

INDIVIDUAL SYSTEM STUDIES

The Army's Standoff Target Acquisition System--A Program Having Development Difficulties (C-MASAD-81-2, 2-18-81)

Unclassified digest of a classified report.

Departments of Defense and the Army

Budget Function: National Defense: Weapons Systems (0057)

The Standoff Target Acquisition System (SOTAS) is a $1.1 billion Army program to develop an airborne radar system to detect and locate moving targets at distances far beyond the forward edge of the battle area. Although an experimental SOTAS has been fielded in Europe, a better model, operating from a helicopter with an advanced radar and a jam-resistant data link, is now in development.

Findings/Conclusions: Technical difficulties are causing significant delays in the program's schedule and could signal substantial cost overruns. The problem arose because SOTAS did not lend itself to the fast-paced development effort that the Army has attempted in order to field the system quickly. Thus, the system's initial operating capability date has slipped several years. To expedite the SOTAS development, the Army elected to curtail some of the testing normally done in the advanced development phase and placed the engineering development phase on a very ambitious schedule. Difficulties have been compounded because: (1) the most critical components involved advanced technology, and these were creating technical problems that were not anticipated by the Army and its contractors; (2) the data link, a critical component being developed, has to meet the requirements of two other programs unrelated to SOTAS; (3) the management of the major SOTAS components, the helicopter, the radar, and the data link, has been diffused among three project offices which operate independently and are separately responsible for the performance of the components they manage; and (4) the SOTAS project office has not been able to provide the necessary intensive program management because of limited resources. Because the Army expects SOTAS to be a high-priority target, SOTAS must be made as survivable as possible. Reliability demonstrations of the helicopter used by SOTAS shows that a mission abort due to a malfunction can be expected with a rate more than twice that which the Army considers acceptable.

Recommendations: The Secretary of Defense should require the Army to reevaluate quantity requirements for the SOTAS helicopters based on the Black Hawk's demonstrated mission reliability. The Secretary of Defense should require the Army to perform a sufficient number of integrated tests involving the helicopter, radar, and the data link to assure that SOTAS will meet its performance and reliability requirements.

Agency Comments/Action

On May 29, 1981, DOD informed GAO that it agreed with the GAO characterization of SOTAS as a program having development difficulties. An Army investigation generally paralleled the concerns expressed in the GAO report. DOD reported that the SOTAS program costs have doubled and the development schedule has been extended by about 2 years. DOD is continuing to evaluate the program.

Appropriations

Research, development, test, and evaluation - Army

Appropriations Committee Issues

The Committees should determine whether DOD can continue to justify SOTAS on a cost-effective basis, and if not, further appropriations should be halted and other alternatives to satisfy the need should be pursued.

WEAPON SYSTEMS

INDIVIDUAL SYSTEM STUDIES

The Navy's Advanced Lightweight Torpedo: A New Weapon That Faces Many Development Challenges (C-MASAD-81-3, 2-18-81)

Unclassified digest of a classified report.

Departments of Defense and the Navy

Budget Function: National Defense: Weapons Systems (0057)
Legislative Authority: 0MB Circular A-109.

GAO reviewed the Advanced Lightweight Torpedo (ALWT), the Navy's newest antisubmarine warfare weapon. ALWT is intended as the replacement for the Navy's current lightweight torpedo, the MK-46.

Findings/Conclusions: ALWT is intended to address the advancing Soviet submarine threat and to overcome deficiencies in current lightweight torpedoes. However, the severity of the Soviet threat has increased significantly since the ALWT requirement was issued, particularly in the areas of speed and capability. Thus, the advanced development baseline design may require enhancement. Navy analysis has shown that there is no viable alternative to developing a new lightweight torpedo. Early in advanced development, cost overruns were encountered by contractors which prompted: (1) deleting warhead development as a contractor responsibility; (2) eliminating documentation in weapon system integration, design to cost, life-cycle cost, and reliability and maintainability; and (3) reducing planned subsystem and system-level testing. A selected acquisition report which advises Congress on the status of the cost, schedule, and performance for ALWT will probably not be prepared until 1983. The ALWT warhead technology must still be developed and proven in the ALWT application. Since ALWT is likely to be longer and significantly heavier than the MK-46 torpedo, modifications to a variety of surface ship and aircraft launch platforms will be required. Availability of a new advanced torpedo target system, currently under development, is critical for ALWT testing. Navy development to date generally compares favorably with an Office of Management and Budget Circular's principles. GAO believes that, should ALWT perform as planned, it will provide a valuable addition to the Navy's antisubmarine warfare capability.

Recommendations: Congress should direct the Secretary of Defense to periodically provide it with an assessment of the ALWT technical and programmatic issues and plans for dealing with them. The Secretary of Defense should direct the Navy to (1) reexamine the wisdom of the reductions in reliability, maintainability, platform integration, and testing that have resulted from changes in contract documentation requirements in light of their potential future effect on the program; and (2) begin preparing a selected acquisition report now for the program to help insure adequate attention to cost, schedule, and performance goals.

Agency Comments/Action

On April 17, 1981, Defense informed GAO that: (1) the report is basically a concise and factual description of the ALWT program; (2) it agreed with the GAO conclusion that the ALWT will provide a valuable addition to the Navy's ASW capability and is considered one of the highest priority programs; and (3) changes in reliability, maintainability, and testing were made to minimize cost growth, but Navy is restructuring the program to increase testing and restore emphasis on the other elements. Defense disagreed regarding selected acquisition reporting of this system; it intends to monitor the program closely to ensure adequate attention to cost schedule and performance goals until it reaches milestone II.

Appropriations

Research and development - Navy

Appropriations Committee Issues

The findings reported on are still valid issues for this program. In addition, the application of foreign-nation-developed technology to this program could possibly result in dollar savings and earlier deployment.

WEAPON SYSTEMS

INDIVIDUAL SYSTEM STUDIES

The Light Airborne Multipurpose System, Lamps MK III, Progress Evident but Some Problems and Questions Remain

(C-MASAD-81-4, 2-23-81)

Unclassified digest of a classified report.

Departments of Defense and the Navy

Budget Function: National Defense: Weapons Systems (0057)

GAO reviewed the newest antisubmarine helicopter weapon system being developed by the Navy, the Light Airborne Multipurpose System (LAMPS MK III). It is a computer-integrated ship and helicopter system designed principally for antisubmarine warfare (ASW) with secondary mission capabilities of antiship surveillance and targeting (ASST), search and rescue, medical evacuation, and logistics support. Currently, the program is in full-scale development and is scheduled for deployment aboard cruisers, destroyers, and frigates. The helicopter to be used is the SH-60B Seahawk.

Findings/Conclusions: Potential problems were found which raise questions about the ability of LAMPS MK III to carry out both its ASW and ASST missions. In performing its ASW role, LAMPS MK III is dependent on other systems. Therefore, its effectiveness is contingent on the performance of those systems. Some of these systems were delayed in development or have known performance limitations. The weight of one of these systems may be of concern because of its effect on the range and endurance of the LAMPS MK III helicopter. Studies have shown that the Navy is not planning to buy enough Seahawks to meet projected requirements. GAO believes that this results in significantly understating the total cost of an effective program. While early flight and equipment testing of the helicopter system are proceeding well, problems in reliability and maintainability exist which are of developmental concern. At congressional direction, the ASST mission of the LAMPS MK III was reduced from a primary to a secondary mission as a cost savings measure. The resultant decrease in hardware capabilities reduces LAMPS MK III capability to carry out this mission. LAMPS MK III helicopters suffer from equipment limitations and could be vulnerable when performing the ASST mission. From September 1979 to September 1980, LAMPS MK III program costs have increased by 50 percent. Further cost increases are likely due to changes in helicopter procurement plans which would raise the unit cost of the Seahawk. New data indicate that the total program costs will increase by $1.6 billion.

Recommendations: Congress should, in its oversight role of Defense, have a clear understanding of the issues, problems, and potential problems that exist. Such is the case with the interrelationship and interdependence of these key weapon systems that are being acquired to carry out the Navy's ASW responsibilities in countering the Soviet threat. The Secretary of Defense should require the Navy to determine the number of LAMPS MK III helicopters needed to effectively meet its ASW mission requirements. The Secretary of Defense should require the Navy to reassess the reliability, availability, and maintainability aspects of the LAMPS MK III to determine whether it will be adequate to meet its operational requirements. The Secretary of Defense should require the Navy to clearly establish the role the LAMPS MK III system is expected to fill in the ASST mission and, if the ASST mission is a major responsibility, identify actions needed to provide the desired capability. The Secretary of Defense should require the Navy to determine the cost impact of actions resulting from the above recommendations and disclose this information to Congress. The Secretary of Defense should address these issues and present a plan to the Congress that will sufficiently identify strengths and weaknesses of the capabilities of LAMPS and its related systems to satisfactorily perform the ASW mission.

Agency Comments/Action

The Secretary of Defense informed GAO on May 4, 1981, that the number of helicopters needed would be reexamined in preparation for future milestone decisions and that the planned ASST capability will be adequate for secondary missions. In addition, Defense said that it has taken specific steps to see that the issues implied by the report recommendations are thoroughly analyzed.

Appropriations

Research and development - Navy

Appropriations Committee Issues

The high cost of this total program dictates continued surveillance. A follow-on report to the Chairman, House Committee on Appropriations, identifies alternative actions which could reduce costs of the LAMPS MK III Program (MASAD-81-40, September 2, 1981).

WEAPON SYSTEMS

INDIVIDUAL SYSTEM STUDIES

Some Land Attack Cruise Missile Acquisition Programs Need To Be Slowed Down

(C-MASAD-81-9, 2-28-81)

Unclassified digest of a classified report.

Departments of Defense, the Air Force, and the Navy

Budget Function: National Defense: Weapons Systems (0057)

Cruise missiles are subsonic, jet-powered airframes that are being acquired to deliver nuclear or conventional warheads against a variety of targets. GAO reviewed some major areas of concern with regard to matters which affect the acquisition and deployment of these missiles.

Findings/Conclusions: The Office of the Secretary of Defense has placed the highest national priority on deployment of the Air-Launched Cruise Missile system in order to preclude shortfalls in strategic weapons in the 1980's. Accordingly, a rigorous, success-oriented, highly concurrent schedule was established. Production of the missile was authorized, even though a number of critical problems remained to be resolved. Specifically: (1) operational testing completed before the production decision revealed that mission reliability of the system was deficient and that it failed to demonstrate important missile performance features; (2) the testing that had been done was not operationally realistic; (3) engine reliability was still a matter of serious concern; (4) certain components which were essential to the system's performance have not been available for operational testing; (5) a critical measurement program was about a year behind schedule; and (6) errors were found in the terrain elevation data base. The Navy plans to request authority to begin full-scale production of the first tactical land attack cruise missile system. Major problems have to be resolved before that time including: (1) cruise missiles probably will not be sufficiently accurate to deliver conventional warheads; (2) because of exposure to enemy defensive systems, it is doubtful that the missiles will survive when delivering certain nonnuclear warheads; and (3) no statement of mission need has been prepared to support acquisition of the Tomahawk or Medium Range Air-to-Surface Missiles.

Recommendations: Congress should not appropriate additional funds for procurement of either land attack Tomahawk or the Medium Range Air-to-Surface Missiles until the Secretary of Defense comprehensively defines and reconciles overall Defense requirements to attack land targets from standoff ranges characteristic of tactical cruise missiles. The Secretary of Defense should withhold authorization to proceed with full-scale production of any land attack missile with a conventional warhead until the accuracy and survivability of such a system is convincingly demonstrated in realistic operational testing. The Secretary of Defense should closely monitor the Air-Launched Cruise Missile program to ensure the resolution of operational testing issues, engine reliability problems, uncertainty about terrain roughness thresholds, and deficiencies in the terrain elevation data base prior to deployment.

Agency Comments/Action

The Department of Defense (DOD) believes that necessary action has been taken where appropriate. With respect to the ACLM issue, DOD said that the ongoing follow-on test and evaluation program was designed to resolve many of the potential performance problems. In regard to the conventional land attack cruise missile systems, DOD said that the GAO report correctly stated that testing, as of early 1981, has not demonstrated fully the TOMAHAWK conventionally armed land attack missile's accuracy and survivability. However, DOD said that operational testing, which will be conducted later this year, and its results will be among the many factors considered in arriving at a full-scale production at DSARC III scheduled in December 1981.

Appropriations

Procurement - Navy, Air Force

Appropriations Committee Issues

Tests completed as of November 1981 on the Navy's TOMAHAWK conventionally armed land attack missile have not been designed to demonstrate that the missile is survivable or capable of attacking targets where a terminal maneuver is required. The full-scale production has been rescheduled for January 1982.

WEAPON SYSTEMS

INDIVIDUAL SYSTEM STUDIES

Issues Affecting the Navy's Antiship Cruise Missile Programs *(C-MASAD-81-11, 2-28-81)*

Unclassified digest of a classified report.

Departments of the Navy and Defense

Budget Function: National Defense: Weapons Systems (0057)

The Navy, to meet existing and projected threats from enemy surface ships armed with long-range missiles, has three antiship cruise missiles in various stages of development. These missiles are designed to provide the Navy with a standoff capability against enemy ships. The missiles under development are the Harpoon, the Tomahawk Antiship Missile (TASM), and the Medium Range Air-to-Surface Missile.

Findings/Conclusions: TASM may be approved for production in December 1981. However, a number of basic issues should be resolved before that time. Issues which should be considered are: (1) the mission need for TASM has never been officially approved and the threat is relatively low; and (2) the TASM system's utility could be adversely affected by large decreases in approved quantities, possible salvo firing requirements, and lowered operational requirements. To effectively use its long-range antiship missiles, the Navy needs to accurately detect, classify, and target over-the-horizon ships. Such a capability exists, but the Navy's evaluation of 1978 tests and fleet exercises showed that its current over-the-horizon detection, classification, and targeting (OTH-DC&T) capabilities are seriously limited. All subsystems of the OTH-DC&T system are limited to varying degress. Especially weak are ship identification and battle damage assessment. Since fleet ships and submarines are not equipped to perform OTH-DC&T, Harpoon and TASM OTH-DC&T must be done by combining onboard sensors, remote sensors, or undedicated and scarce fleet aircraft resources. Quantities of Harpoon and TASM being procured or planned for procurement are significantly less than the needs estimates. Currently, the fleet has a shortfall of Harpoon missiles, and a shortfall is also anticipated at program completion in fiscal year 1984, if current procurement plans prevail. Readiness of the Harpoon missile is impaired because the required logistics support has not been fully provided.

Recommendations: The Secretary of Defense should direct the Navy to establish test criteria for evaluating the OTH-DC&T capability and conduct an assessment of its available capability, simulating a more realistic environment using the most likely scenarios in which antiship cruise missiles will be needed. The Secretary of Defense should direct the Navy to determine whether Harpoon and TASM can be effective against the threat with the reduced procurement quantities, particularly in view of salvo firing tactics being developed. The Secretary of Defense should direct the Navy to require that logistic support be given greater emphasis so that Harpoon readiness will be improved. The Secretary of Defense should direct the Navy to specifically define the TASM mission and the Soviet threat and consider TASM utility in light of the large decreases in approved quantities, possible salvo firing requirements, and lowered operational requirements.

Agency Comments/Action

On May 4, 1981, Defense agreed with GAO that there are problems in developing and deploying long range cruise missiles. Defense also stated that: weapon inventory objectives are subject to change when parameters, such as missile performance, firing tactics, and the nunber of threat targets to be defeated, change; they are reviewed frequently and are revised as necessary, therefore, GAO's concern in this area is unfounded; and the need for TASM was validated and a needs statement is not required retroactively as the final decisions on the utility of TASM will be made before procurement is authorized.

Appropriations

Research and development - Navy
Procurement - Navy

Appropriations Committee Issues

The Committees should ensure that DOD and the Navy have fully justified the need for and the quantities of antiship cruise missiles and that the missiles are effective and fully supportable.

WEAPON SYSTEMS

INDIVIDUAL SYSTEM STUDIES

Opportunities for Improving Management of the Navy's Aegis Cruiser Program

(C-MASAD-81-8, 2-28-81)

Unclassified digest of a classified report.

Departments of Defense and the Navy

Budget Function: National Defense: Weapons Systems (0057)

The Aegis weapon system is the antiair warfare weapon designed to protect the Navy's carrier battle groups from air- and sea-launched missiles. It is comprised of an advanced-design radar and related hardware and software. Two systems have been procured for the Navy's newest cruisers, the CG-47 and CG-48. The fiscal 1981 Defense budget provides procurement funds for two more Aegis equipped cruisers.

Findings/Conclusions: Although a complete Aegis weapon system will not be operated until the first Aegis-equipped cruiser is launched, Navy officials are confident that their actual live tracking and simulator-assisted tests provide proof that the system will be capable against the existing and currently foreseen threat. However, serious questions surround the supply support aspects of its operational availability. The supply support policy planned for the Aegis weapon system will not insure that the system reaches its maximum operational availability. None of the analyses conducted by the Navy or the prime contractor considered the entire system; each report examined only the subsystems of the Aegis weapon system. The CG-47 being constructed to house the system will also have another air search radar system, the SPS-49. The SPS-49 appears to be an inadequate backup for the Aegis system. Therefore, retaining the SPS-49 is highly questionable. Furthermore, this ship provides an inadequate margin for growth required by Navy standards.

Recommendations: Congress should receive a report if critical systems will not be available. The Secretary of Defense should direct the Navy to reexamine the need for the SPS-49 on CG-47 class ships to determine that its benefits are commensurate with its weight and cost. The Secretary of Defense should direct the Navy to insure that Defense Acquisition Regulations are followed in the decision for procuring power converters for the CG-48 and subsequent ships in this class. The Secretary of Defense should direct the Navy to emphasize weight reduction efforts and carefully monitor the effect of future systems, such as the Vertical Launching System, on the ship's weight and stability. The Secretary of Defense should direct the Navy to identify, through the CG-47 Selected Acquisition Report, the status of important weapon systems that are scheduled to be deployed on this multimission ship. If critical systems will not be available on time, such limitations in the ship's capability should be reported to Congress. The Secretary of Defense should direct the Navy to evaluate how various supply support methodologies affect the availability of the entire Aegis weapon system. If methodologies other than the presently adopted Fleet Logistic Support Improvement Program system can provide a significantly greater system at about the same cost, it should be selected for implementation on the Aegis system.

Agency Comments/Action

On June 6, 1981, the Department of Defense (DOD) informed GAO that: the Navy is evaluating various supply support concepts for AEGIS and will implement the most cost-effective method; the Defense Acquisition Regulations (DAR) have been followed in all CG-47 class ship procurements, and the DAR will continue to be followed; the navy has reported in the CG-47 selected acquisition report that certain weapon systems will not be available when the first ship is delivered; and the weight problems associated with this ship have been and continue to be monitored; that was the purpose of weight growth margins, not intended to never be used. Defense stated that the Navy examined the need for a second radar (SPS-49) and determined that it is both desirable and necessary. The operational flexibility provided by this radar more than outweighs the cost ans space considerations cited in the GAO report. The Navy will continue to review the need and utility of this radar.

Appropriations

Research and development - Navy
Ship construction - Navy

Appropriations Committee Issues

The Committees should require the Navy to fully support and justify its decision to retain the SPS-49 radar system on the CG-47 AEGIS class cruiser.

WEAPON SYSTEMS

INDIVIDUAL SYSTEM STUDIES

Major Issues Concerning the C-X Range Payload Remain Unresolved (MASAD-81-24, 4-6-81)

Departments of Defense and the Air Force

Budget Function: National Defense: Weapons Systems (0057)

GAO reviewed the major issues concerning the C-X aircraft program, including the aircraft's limited range and load carrying capabilities. GAO summarized these issues in a report to the Secretary of Defense, dated October 10, 1980, which recommended that the Air Force delay issuing requests for proposals (RFP) for the aircraft's full-scale engineering development until these issues were resolved.

Findings/Conclusions: The Air Force has begun to evaluate proposals received from three major contractors and plans to award a development contract for the C-X if the program is approved and if congressional funding is authorized. The Air Force estimates that the program could include about 200 aircraft at a cost of $10 to $11 billion for development and production. GAO believes that the C-X range and payload issues discussed in the previous report warrant further consideration, especially the range and payload requirements for the C-X. GAO still believes that the Air Force is specifying a C-X design which is sacrificing the aircraft's primary mission of intertheater airlift to achieve a greater capability to operate within a theater on small, austere airfields. The Air Force requested the contractors to propose an aircraft designed to meet or exceed certain minimum performance specifications and which could best complete the airlift requirements of four airlift scenarios described in the RFP. Although the Air Force has emphasized the importance of procuring a C-X aircraft with the ability to use small, austere airfields, the C-X mission element need statement (MENS) states that the feasibility of requiring this capability will depend upon the extent of its penalty to the primary mission.

Recommendations: The Secretary of Defense should reassess the range and payload issues discussed to determine if the C-X aircraft being considered by the Air Force provides the capability to fill the mission need as stated in the C-X MENS. In addition, should the Secretary determine that a smaller aircraft is not appropriate, the proposal evaluation currently underway should be terminated and the RFP reissued on the basis of the reassessment.

Agency Comments/Action

The DOD response to the GAO report stated that the range and payload issues have been reassessed and are adequate for intertheater airlift operations. Requests for proposals from industry were made, and the Air Force has selected a contractor for developing a C-X aircraft.

Appropriations

Research and development - Air Force
Procurement - Air Force

Appropriations Committee Issues

The Committees should closely monitor the development of the technical requirements which may be established in a contract for developing the C-X and determine whether the contract requirements are realistic and achievable.

WEAPON SYSTEMS

INDIVIDUAL SYSTEM STUDIES

Evaluation of the Army's Advanced Field Artillery Tactical Data System (MASAD-81-44, 9-15-81)

Departments of Defense, the Army, and the Navy

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)

GAO was requested to evaluate the progress of the Army's Advanced Field Artillery Tactical Data System (AFATDS) Program and the Army's plan for adopting components of the Marine Integrated Fire and Air Support System (MIFASS) for use in the AFATDS program.

Findings/Conclusions: The Army has decided to modularly improve the existing Tactical Fire Direction System to provide for a future field artillery command and control system. Although this approach, in the opinion of GAO, is the proper choice in terms of operational suitability and timeliness, the Army needs to establish a sound basis to assure that the most cost-effective system is being acquired to meet user needs. The Army's plans provide for ample equipment competition. However, software will be developed in-house. MIFASS was rejected as a follow-on system candidate, but a reconfigured MIFASS architecture or components may be usable in AFATDS.

Recommendations: The Secretary of Defense should limit Army funding for AFATDS to those program elements necessary to continue system planning and defining of detailed requirements before any expenditures are made for system component developments. The Secretary of Defense should direct the Secretary of the Army to prepare a well-documented cost-benefit study of alternate system components which could have applicability to AFATDS. This study should pay particular attention to the possible use of a reconfigured MIFASS in AFATDS.

Agency Comments/Action

No agency comments were solicited, and no known actions have been taken to date on the subject.

Appropriations

Research and development - Army

Appropriations Committee Issues

The Committees should review future Army budget requests for this system to ensure that planned expenditures are in line with the GAO recommendations.

WEAPON SYSTEMS

MISSION ANALYSIS

An Assessment of the Navy's Mine Warfare Mission (C-MASAD-81-13, 4-30-81)

Unclassified digest of a classified report.

Departments of Defense and the Navy

Budget Function: National Defense: Weapons Systems (0057)

Mine warfare consists of the control or denial of sea or harbor areas through the laying of minefields and countering enemy mine warfare by destroying or neutralizing their minefields.

Findings/Conclusions: GAO found that the Navy would find it hard to conduct even the most limited type of mining or mine countermeasures operation. Several new mine programs which are in development or limited production should alleviate a number of these weaknesses and provide an effective mining capability. However, it will take time before the effects of these improvements can be seen. Airborne systems to perform mine countermeasures suffer from lack of aircraft, spare parts, and personnel. Helicopters are restricted to certain areas of water in which they can operate and in their ability to locate and counter certain types of mines. Airborne mine countermeasures should see considerable improvement by the mid-1980's. These improvements should provide the helicopter with a much broader capability than it currently has. However, no funds have been programmed for the planned purchase of new helicopters. Surface mine countermeasures forces are plagued with maintenance and spare parts problems. The force is further degraded by inadequate numbers of ships, their aged and deteriorating condition, and a lack of experienced personnel. New mine countermeasure ships and equipment should improve surface mine countermeasures capabilities, but certain limitations will still exist. Large amounts of money will be needed to fund this new equipment. GAO believes that the Navy should determine whether they are going to give mine warfare a high budget priority. Actions should be taken by the Department of Defense which will better define the severity of the mining threat to the United States.

Recommendations: The Secretary of Defense should, until most of the mine countermeasures improvements are available in the mid-1980s, take actions to increase the readiness of surface ship and airborne mine countermeasures units. Specifically, actions should address personnel deficiencies, platform shortcomings, and equipment deficiencies. The Secretary of Defense should require that steps be taken to obtain information necessary to provide a better understanding of Soviet mine warfare intentions. As these data are determined, mine countermeasures force level objectives should be adjusted accordingly.

Agency Comments/Action

Defense informed GAO on August 10, 1981, that the report is a concise and factual description of the mine warfare mission and its effectiveness. Defense agreed that readiness of mine countermeasures forces should be increased and outlined several steps (classified) being taken. Defense agreed in principle that steps should be taken to provide a better understanding of Soviet mine warfare intentions but pointed out that assessments are of necessity somewhat speculative. Further, Soviet intentions are likely to be influenced by perceived weaknesses; therefore, Defense believes it should be adequately prepared to deal with every threat contingency.

Appropriations

Research and development - Navy
Procurement - Navy

Appropriations Committee Issues

The Committees should monitor Defense efforts in improving mine countermeasures forces and equipment to insure that this element of defense is adequately prepared.

MISSION ANALYSIS

Integrated Approach to U.S. Air Defense of Central Europe Should Result in More Effective Mission Accomplishment

(C-MASAD-81-18, 9-18-81)

Departments of Defense, the Army, and the Air Force

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051)

The U.S. Army and the Air Force air defense forces stationed in central Europe share a joint mission and a combined North Atlantic Treaty Organization (NATO) mission to defend the NATO central region airspace against an attack by the Warsaw Pact. In its review of this mission, GAO focused on critical issues needing Department of Defense (DOD) attention to improve the effectiveness of joint mission capabilities.

Findings/Conclusions: Critical issues associated with the performance of this joint mission include the following: (1) limited coordination within DOD to ensure the best mix of ground and air weapons to meet joint mission needs; (2) an inability to ensure that adequate resources are available to acquire and operate needed systems; (3) problems in identifying aircraft in a NATO environment so that a distinction can be made between enemy and friendly forces; (4) constraints on realism in air defense training and exercises in a NATO environment; and (5) shortcomings associated with new or improved U.S. air defense systems. If there is to be an adequate air defense capability to meet the Warsaw Pact threat of the 1980's, it is essential that DOD fully address these issues. Since about $34 billion remains to be spent on new or improved systems, it is also essential that an integrated, long-range air defense modernization plan be developed to determine what economies and efficiencies are possible.

Recommendations: The Secretary of Defense should establish a workable coordination process under the control and direction of the Office of the Secretary of Defense to formulate the most appropriate air defense weapon system mixes needed to attain specified force levels for central Europe. This process should require preparation of a joint service/Office of the Secretary of Defense long-range air defense modernization plan. The Secretary of Defense should require preparation of an assessment of the Warsaw Pact threat to the NATO central European air defenses including aircraft, electronic countermeasures, chemical-biological, and tactical ballistic missile threats, together with the current and future combined air defense capabilities available to meet the threat. This assessment should be the common basis for all U.S. air defense studies and analyses. The Secretary of Defense should provide, on a continuing basis, more realistic air defense training and exercises with emphasis on representative, combined forces and equipment, aircraft identification procedures, command and control, and electronic warfare and countermeasures. The Secretary of Defense should work toward revisions to the NATO central region Airspace Control Plan that will not restrict the use of air defense weapons and actively pursue needed revisions with our NATO allies, if appropriate. The Secretary of Defense should closely monitor the U.S. participation in NATO efforts to develop and field new cooperative aircraft identification equipment to ensure that NATO-wide introduction of interoperable equipment will be expedited. The Secretary of Defense should evaluate the full range of joint Army and Air Force weapon system options for the entire air defense mission, relating the cost and effectiveness of each major improvement in order of priority to specific near- and long-term limitations/shortcomings within the joint mission area. The Secretary of Defense should ensure that an immediate evaluation is made of alternatives for increasing near-term airborne firepower capability such as: (1) maintaining F-4 aircraft in Europe because of their medium-range missile capability; (2) increasing operational unit flying hours for air defense training of F-4 and F-16 ground attack units; and (3) accelerating deployment of F-15 or F-16 aircraft to Europe.

Agency Comments/Action

Agency comments had not been received as of the date this report was prepared.

Appropriations

Research and development - Army, Air Force
Operation and maintenance - Army, Air Force

Appropriations Committee Issues

Since about $34 billion remains to be spent on new or improved air defense systems, it is essential that an integrated long-range air defense modernization plan be developed to determine what economies and efficiencies are possible.

WEAPON SYSTEMS

REPORTING SYSTEMS

Recommendations To Improve Defense Reporting on Weapon Systems (MASAD-81-7, 3-2-81)

Department of Defense

Budget Function: National Defense: Weapons Systems (0057)

GAO issued three reports which contained recommendations to the Secretary of Defense on methods to improve the Department of Defense's (DOD) reporting to Congress. The reports addressed: (1) Selected Acquisition Reports (SAR); (2) research, development, test, and evaluation (RDT&E) descriptive summaries; (3) Congressional Data Sheets; (4) other budget justification data; and (5) testimony.

Findings/Conclusions: DOD agreed with some of the recommendations and identified improvements which have been made in the reporting system. However, DOD believes that it is fully complying with the desires of Congress and, therefore, does not intend to implement the other recommendations. GAO believes that the recommendations would result in Congress receiving information that would be valuable in carrying out its oversight responsibilities.

Recommendations: Congress should require the Secretary of Defense to include a section on technical and operational risks in RDT&E descriptive summaries. Congress should require the Secretary of Defense to change the SAR system to: (1) include important systems that are in advanced development; (2) expand the required mission capability assessment statement to describe shortcomings and limitations of systems in their expected operational environments; (3) include planning estimates and a one-time variance analysis for the planning and development estimates in the first report that includes the development estimate; (4) include a brief narrative section on technical and operational risks; (5) include cost estimates for categories of logistic support/additional procurement costs related to the weapon system such as modification costs, component improvement costs, replenishment spare costs, industrial facilities/production base, simulators, consumables, and modification spares; and (6) include a chart showing the impact on the program cost estimate of different escalation rates. GAO also made these recommendations to the Secretary of Defense in its March 1975 report.

Appropriations

Procurement - Department of Defense

Appropriations Committee Issues

DOD has been unwilling to accept recommendations which GAO has proposed to improve reporting on major weapon systems. GAO is convinced that the recommendations would result in Congress receiving better information. Therefore, GAO recommended that Congress require Defense to make the changes.

WEAPON SYSTEMS

TESTING

Progress and Problems of the Advanced Medium Air-to-Air Missile Program (C-MASAD-81-6, 2-23-81)

Unclassified digest of a classified report.

Departments of Defense, the Navy, and the Air Force

Budget Function: National Defense: Weapons Systems (0057)

The Advanced Medium Range Air-to-Air Missile (AMRAAM) is being developed as an all-weather, air-to-air missile responding to Air Force and Navy operational requirements for the 1985-2005 timeframe. Operating within and beyond visual range, AMRAAM is to be compatible with the F-14, F-15, F-16, F-18 and other appropriate aircraft. It is intended to replace the aging Sparrow medium range air-to-air missile. GAO was severely hampered in its review of AMRAAM because the Air Force withheld most of the current cost, schedule, and performance data on the basis of the data being competition sensitive. Therefore, the program's status could not be fully assessed.

Findings/Conclusions: The following problems related to the AMRAAM program were identified: (1) the Air Force and Navy may be unable to fully test AMRAAM during full-scale engineering development because of deficiencies in high altitude, high speed targets; (2) operational questions exist regarding the full use of AMRAAM in a beyond visual range role; and (3) the total costs related to AMRAAM have not been estimated, but available information shows that total costs will be much more than the $3.9 billion life-cycle cost forecasted in January 1979.

Recommendations: The Secretary of Defense should align the development schedule for the high- altitude, high-speed target with the AMRAAM full-scale engineering development schedule. The Secretary of Defense should urge the adoption of rules-of-engagement, pending improved identification, friend, or foe capability, which permit optimum employment of such air superiority systems as AMRAAM. The Secretary of Defense should provide Congress with the total estimated cost of development, procurement, and deployment of AMRAAM, including the associated aircraft modification costs. The Secretary of Defense should reconsider the need for high-altitude, high-speed target subsystems, such as improved radar and infrared augmentation, cooperative vector scoring, and threat-representative countermeasures, in order to adequately test the operational capabilities of AMRAAM.

Agency Comments/Action

DOD advised GAO that testing against high-speed, high-altitude targets and laboratory extrapolation of test data obtained at lower altitudes will be adequate to demonstrate the required high-altitude performance of the weapon system. In addition, DOD stated that the rules of engagement receive continual review and will be revised appropriately in response to the changing threat environment and introduction of new systems. DOD further stated that Congress will be kept informed of the total estimated cost of the weapon system including aircraft modification costs to accomodate the system.

Appropriations

Testing - Air Force, Navy

Appropriations Committee Issues

The Committees should continue to closely assess this program in the areas of adequacy of tests and ability in all operational roles.

WEAPON SYSTEMS

TESTING

The Army's Battery Computer System (MASAD-81-18, 3-6-81)

Departments of Defense and the Army

Budget Function: National Defense: Department of Defense - Procurement & Contracts (0058)
Legislative Authority: H. Rept. 96-1317.

GAO was asked to evaluate test results of the Army's Battery Computer System (BCS) to determine whether the test results were valid and to ascertain whether congressional direction has been followed. BCS, designed to reduce mission response time and improve artillery weapon effectiveness, could satisfy a longstanding requirement for battery autonomous operations. In evaluating the BCS test results, laboratory tests being conducted were observed and briefings regarding the test results were attended.

Findings/Conclusions: Operational tests conducted on BCS in 1979 showed that it did not meet many of the operational requirements and did not provide an improved capability over existing equipment. Recent tests, limited to tests of software and built-in test equipment, demonstrated that many of the deficiencies have been or can be corrected. However, these tests were of the laboratory type and did not demonstrate the operational effectiveness and suitability or the reliability of BCS. GAO expressed concern that tests that can demonstrate the operational effectiveness and suitability of the system are not scheduled to be conducted until just prior to the scheduled third-year production continuation decision. This decision involves the production of 217 systems at a cost of about $47 million. It does not appear that there will be adequate time to evaluate the operational test results before the production decision. Congress directed that, before obligation of the the fiscal year 1981 appropriation for BCS, the Secretary of Defense must certify that deficiencies identified in the 1979 development/operational tests have been corrected and successfully tested and that the test results demonstrate that the system meets all contract specifications for performance and reliability. The Secretary of Defense has been unable to certify that the deficiencies have been corrected, but he has authorized the Army to proceed with the 1981 appropriation for BCS. GAO believes that there has not been sufficient testing to provide an estimate of the operational effectiveness and suitability of BCS.

Recommendations: The Secretary of Defense should delay the third-year production continuation decision to provide sufficient time to evaluate the 1982 test results and allow time for any retesting that may be necessary. There should be no further production approval if the operational tests do not justify producing more units.

Agency Comments/Action

In a letter to GAO dated May 27, 1981, the Department of Defense stated that confirmation that deficiencies have been corrected will be sought during follow-on tests scheduled for the January-March 1982 time period. Defense feels that sufficient data will be available for the Army to make a production decision in April 1982.

Appropriations

Procurement - Army

Appropriations Committee Issues

The adequacy of testing to support an April 1982 production continuation decision point may or may not be known by that date. Tests are scheduled, but the schedule is predicated on success.

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